



**ANAHEIM UNION HIGH
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2013

ANAHEIM UNION HIGH SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Governing Board
Anaheim Union High School District
Anaheim, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Anaheim Union High School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-2013*, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Anaheim Union High School District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 5 through 14, and the budgetary comparison information and schedule of other postemployment benefits on pages 61 and 62 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Anaheim Union High School District's basic financial statements. The accompanying supplementary information such as the *Schedule of Expenditures of Federal Awards*, as required by the *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and the other information as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

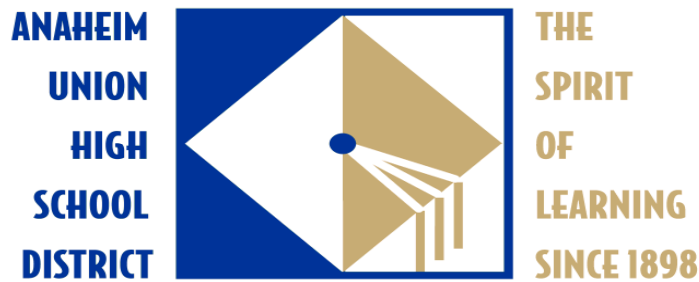
The accompanying other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013, on our consideration of the Anaheim Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Anaheim Union High School District's internal control over financial reporting and compliance.

Varrinck, Irine, Day & Co., LLP

Rancho Cucamonga, California
December 13, 2013



This section of Anaheim Union High School District's (the District) June 30, 2013, annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2013, with comparative information for 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. 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.

Governmental Activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

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

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

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

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

The Primary unit of the government is the Anaheim Union High School District.

ANAHEIM UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* 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 position and changes in them. Net position is the difference between assets and liabilities, one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position 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 Position* and the *Statement of Activities*, we present the District activities as follows:

Governmental Activities - All of the District's services are reported in this category. This includes the education of grade seven through grade twelve students, 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 governmental agencies.

ANAHEIM UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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 Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities - such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in the *Statements of Fiduciary Net Position*. 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.

ANAHEIM UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

FINANCIAL HIGHLIGHTS

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$208.2 million for the fiscal year-ended June 30, 2013. Of this amount, \$2.7 million was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the governing board's ability to use the net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

(Amounts in millions)

| | Governmental Activities | |
|----------------------------------|-------------------------|-----------------|
| | 2013 | 2012 |
| Assets | | |
| Current and other assets | \$ 167.3 | \$ 178.6 |
| Capital assets | 282.9 | 285.0 |
| Total Assets | 450.2 | 463.6 |
| Liabilities | | |
| Current liabilities | 73.4 | 81.5 |
| Long-term obligations | 168.6 | 169.6 |
| Total Liabilities | 242.0 | 251.1 |
| Net Position | | |
| Net investment in capital assets | 139.5 | 137.1 |
| Restricted | 66.0 | 64.9 |
| Unrestricted | 2.7 | 10.5 |
| Total Net Position | \$ 208.2 | \$ 212.5 |

The \$2.7 million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The decrease to total assets can be attributed to depreciation charges being greater than additions to capital assets, and to a decline in accounts receivable. Total liabilities decreased primarily due to an \$8 million reduction in cash flow loans due to a better cash position than the prior year.

ANAHEIM UNION HIGH SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Changes in Net Position

The changes in net position for this year's operations for the District as a whole are reported in the *Statement of Activities* on page 17. 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

(Amounts in millions)

| | <u>Governmental Activities</u> | |
|--------------------------------------|--------------------------------|------------------------|
| | <u>2013</u> | <u>2012</u> |
| Revenues | | |
| Program revenues: | | |
| Charges for services | \$ 3.7 | \$ 4.0 |
| Operating grants and contributions | 65.7 | 71.3 |
| General revenues: | | |
| Federal and State aid not restricted | 162.8 | 178.3 |
| Property taxes | 76.3 | 59.7 |
| Other general revenues | 13.9 | 15.6 |
| Total Revenues | <u>322.4</u> | <u>328.9</u> |
| Expenses | | |
| Instruction-related | 212.3 | 218.9 |
| Student support services | 47.2 | 45.9 |
| Administration | 13.7 | 14.6 |
| Plant services | 29.7 | 30.3 |
| Other | 23.8 | 23.9 |
| Total Expenses | <u>326.7</u> | <u>333.6</u> |
| Change in Net Position | <u>\$ (4.3)</u> | <u>\$ (4.7)</u> |

Governmental Activities

As reported in the *Statement of Activities* on page 17, the cost of all of our governmental activities this year was \$326.7 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$76.3 million because the cost was paid by those who benefited from the programs (\$3.7 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$65.7 million). We paid for the remaining "public benefit" portion of our governmental activities with \$176.7 million in Federal and State funds and with other revenues, like interest and general entitlements. Operating grants and contributions consist of categorical programs. Capital grants and contributions consist of State modernization and construction funds.

ANAHEIM UNION HIGH SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

In Table 3, we have presented the cost and net cost of each of the District's largest functions - regular program instruction, instruction-related activities, pupil services, general administration, plant services, and other. 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

| (Amounts in millions) | Total Cost of Services | | Net Cost of Services | |
|---|------------------------|-----------------|----------------------|-----------------|
| | 2013 | 2012 | 2013 | 2012 |
| Instruction | \$ 188.8 | \$ 193.6 | \$ 152.4 | \$ 154.3 |
| Instruction-related activities | 23.5 | 25.3 | 21.0 | 19.8 |
| Pupil services | 47.2 | 45.9 | 20.3 | 19.8 |
| Administration | 13.7 | 14.6 | 12.6 | 13.3 |
| Plant services | 29.7 | 30.3 | 29.0 | 28.8 |
| Facilities acquisition and construction | - | 0.7 | - | 0.7 |
| Other | 23.8 | 23.2 | 22.0 | 21.6 |
| Total | \$ 326.7 | \$ 333.6 | \$ 257.3 | \$ 258.3 |

The main reason for the year-to-year changes in total cost of services is due to salary and benefit expenditure decreases, and decreases in other operating expenditures.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$71.7 million, which is a decrease of \$5.3 million from last year (Table 4).

Table 4

| (Amounts in thousands) | Balances and Activity | | | |
|---|-----------------------|-----------------|-----------------|----------------|
| | July 01, 2012 | Revenues | Expenditures | June 30, 2013 |
| General Fund | \$ 34.1 | \$ 282.5 | \$ 289.2 | \$ 27.4 |
| Capital Facilities Fund | 22.5 | 6.4 | 5.7 | 23.2 |
| Cafeteria Fund | 8.3 | 23.4 | 22.6 | 9.1 |
| County School Facilities Fund | 0.5 | - | 0.1 | 0.4 |
| Special Reserve Fund for Capital Outlay Projects | 4.9 | - | 1.2 | 3.7 |
| Bond Interest and Redemption Fund | 6.7 | 33.2 | 32.0 | 7.9 |
| Total | \$ 77.0 | \$ 345.5 | \$ 350.8 | \$ 71.7 |

ANAHEIM UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

The primary reasons for these increases/decreases are:

1. The General Fund is the principal operating fund. The fund balance during the 2012-2013 fiscal year decreased approximately \$6.7 million due to 2011-2012 reserves that were designated to be expended in 2012-2013.
2. Our Special Reserve Fund for Capital Outlay Projects decreased \$1.2 million. The decrease to the fund was due to expenditures for the Central Kitchen COPS principal and interest payments.
3. Our Capital Facilities Fund increased by \$.7 million due to slightly increased revenues and decreased expenditures.

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 in September 3, 2013. (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 61.)

1. The budgeted Federal revenue in the 2012-2013 Adopted budget was based on an anticipated reduction of eight percent from the prior year funding due to Federal Sequestration. Once the Federal budget was adopted, adjustments were made resulting in an increase in Title I, Title II, Title III, Medi-Cal Reimbursement, and Special Education Local Assistance funding.
2. In 2012-2013 significant changes were made to the mandated cost reimbursement claiming process when Local Educational Agencies were given two options to file claims with the State. One option was to file claims based on actual costs which would result in the deferral of claims payments to an unknown future year. The other option, Mandated Block Grant, was to receive reimbursement based on a flat dollar amount per Average Daily Attendance (ADA) in the year the claims are filed. The District chose the flat funding option and as result received \$1.0 million in State revenue from the Mandated Block Grant. In addition, State transportation funding was restored, resulting in \$0.7 million in funding. Increased lottery sales, resulted in an additional \$0.5 million in funding.

ANAHEIM UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had \$282.9 million in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of approximately \$2.1 million, or 0.7 percent, from last year.

Table 5

(Amounts in millions)

| | Governmental Activities | |
|----------------------------------|-------------------------|-----------------|
| | 2013 | 2012 |
| Land and construction in process | \$ 5.9 | \$ 6.6 |
| Buildings and improvements | 271.7 | 274.5 |
| Furniture and equipment | 5.3 | 3.9 |
| Total | \$ 282.9 | \$ 285.0 |

This year's reduction of \$2.1 million is due primarily to the depreciation cost exceeding the increase in capital assets.

The District's major construction program is completed. Smaller, routine facilities projects are on-going. We present more detailed information about our capital assets in Note 4 to the financial statements.

Long-Term Obligations

At the end of this year, the District had \$168.6 million in long-term obligations outstanding versus \$169.6 million last year, a decrease of 0.4 percent. The long-term obligations consisted of the following:

Table 6

(Amounts in millions)

| | Governmental Activities | |
|---|-------------------------|-----------------|
| | 2013 | 2012 |
| General obligation bonds (financed with property taxes) | \$ 109.5 | \$ 113.8 |
| Premium on issuance | 5.6 | 4.7 |
| Certificates of participation (net of discount) | 37.4 | 37.6 |
| Other postemployment benefits | 13.8 | 10.7 |
| Other | 2.3 | 2.8 |
| Total | \$ 168.6 | \$ 169.6 |

The District's general obligation bond rating is "Aa2" (insured). The State limits the amount of general obligation debt that districts can issue to no more than 2.5 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$113.8 million is significantly below this \$830.1 million statutorily-imposed limit.

ANAHEIM UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Other obligations include compensated absences payable and cumulative rebate liability. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2012-2013 ARE NOTED BELOW:

Categorical funds have supported educational programs such as:

All categorical expenditures are intended to support improved student achievement through: (1) curricula, instructional strategies and materials responsive to the individual needs and learning styles of each pupil; (2) instructional and auxiliary services to meet the special needs of non-English speaking or limited-English speaking pupils, including instruction in a language these pupils understand; educationally disadvantaged pupils; gifted and talented pupils; and pupils with exceptional needs; (3) a staff development program for teachers, paraprofessionals, other school personnel, and volunteers, including those participating in special programs; and, (4) ongoing evaluation of the educational programs at each of the District's schools. Improved student achievement is measured in a variety of ways including improved Academic Performance Index (API) results.

Some of the major activities which support the above goals are listed below:

1. Professional Learning Communities (PLC) were instituted at all schools, for the purpose of reviewing local and State student-achievement data to determine the best educational strategies/practices to implement, to improve student achievement results and increase API results for all subgroups. "Illuminate" was purchased to generate a variety of District- and site-level assessment data, used during PLC meetings, and at District-level meetings to analyze student achievement needs. A test-item bank called "Intel-Assess" was also purchased to help develop more valid and reliable District-level interim assessments.
2. The District Lesson Design Specialist (LDS) Program continues to provide on-site coaching to teachers that leads to reflective professional practice based on the District lesson design model, which includes content objective, language objective, and formative assessment that builds academic literacy and language across the curriculum. In 2012-2013 the LDS program rolled out a focus on complex text and performance task assessments, as the District shifts to Common Core State Standards (CCSS), in which instructional strategies are aligned with CCSS Habits of Mind. The program plays a major role in monitoring the continued implementation of state content standards and research-proven instructional strategies.

ANAHEIM UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

3. The District continues to address District-level No Child Left Behind Corrective Action by conducting comprehensive needs assessments each year to determine the educational needs of student subgroups. The results of schools' comprehensive needs assessments are presented to the District Leadership Team (DLT) through the District's Single Plan for Student Achievement (SPSA) Peer Review process, which occurs during the fall of each school year. Also through that process, each school's SPSA is vetted, and recommendations are made (as needed) to refine the SPSAs. In this way the District continues to determine the District's strengths and areas for improvement, as related to CDE approved DAIT standards for: governance; alignment of curriculum, instruction, and assessments to state standards; fiscal operations; parent and community involvement; human resources; data systems and achievement monitoring; and, professional development. Findings are reported to the DLT. The District's most current LEA Plan is reviewed. District-level staff refines the action plan, based on DAIT standards, to address district-level No Child Left Behind (NCLB) Corrective Action.
4. The District continues to refine the professional development plan created to address DAIT recommendations, and provided professional development to District- and site-level administration, teachers, paraprofessionals, and other school personnel. Professional development topics included: Professional Learning Communities (PLC); Response to Instruction & Intervention (RTI²); reading language arts and mathematics curriculum and instruction; Positive Behavioral Intervention and Supports (PBIS); special education inclusion, and Science, Technology, Engineering, Arts, and Mathematics (STEAM).
5. The Naviance Succeed program was purchased again in 2012, to allow high school counselors to teach students how to develop 6-year plans to address successful high school completion, and to successfully transition to college and career.
6. The District did a refunding of a 2003 General Obligation Bond series. The bonds were issued at an aggregate price of \$23,326,386. The District saved the taxpayers \$4.8 million over the life of the loan, or \$3.8 million on a net present value basis.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Adopted Budget for the 2013-2014 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Cost-of-Living Adjustment (COLA) of zero percent.
2. Funding from Revenue Limit will be \$7,705.36 per ADA. This includes a deficit of 22.272 percent.
3. ADA was budgeted at no change from prior year.
4. Federal income was not increased or decreased other than for carryover, except Title I was decreased approximately 5.2 percent.
5. State lottery was budgeted at \$154 per ADA.
6. Grants include estimated carryover from 2012-2013 and are adjusted to actual after June 30, 2013.
7. Certificated negotiations for the 2013-2014 fiscal year were not complete. The budget was reduced by \$500,000 for attrition.

ANAHEIM UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

8. Classified negotiations for the 2013-2014 fiscal year were not complete. The budget was reduced by \$500,000 for attrition.
9. Health and welfare costs were budgeted to increase five percent due to trend increases. Workers' Compensation was budgeted to increase eight percent due to premium increases.
10. Routine restricted maintenance expenditures include three percent of total budgeted expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent, Business Services, at (714) 999-3555, Anaheim Union High School District, 501 Crescent Way, Anaheim, California, 92803, or e-mail at poore_d@auhsd.us.

ANAHEIM UNION HIGH SCHOOL DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2013**

| | Governmental Activities |
|---|-------------------------------------|
| ASSETS | |
| Deposits and investments | \$ 117,836,821 |
| Receivables | 47,033,613 |
| Prepaid expenses | 3,799 |
| Stores inventories | 566,760 |
| Deferred cost on issuance | 1,949,174 |
| Capital assets | |
| Land and construction in process | 5,914,930 |
| Other capital assets | 400,068,923 |
| Less: Accumulated depreciation | (123,131,481) |
| Total Capital Assets | <u>282,852,372</u> |
| Total Assets | <u>450,242,539</u> |
| LIABILITIES | |
| Accounts payable | 20,587,811 |
| Interest payable | 2,075,009 |
| Deferred revenue | 495,455 |
| Claims liability | 3,275,523 |
| Current loans | 47,000,000 |
| Long-term obligations | |
| Current portion of long-term obligations | 10,935,593 |
| Noncurrent portion of long-term obligations | 157,618,219 |
| Total Long-Term Obligations | <u>168,553,812</u> |
| Total Liabilities | <u>241,987,610</u> |
| NET POSITION | |
| Net investment in capital assets | 139,520,628 |
| Restricted for: | |
| Debt service | 11,970,934 |
| Capital projects | 10,178,207 |
| Educational programs | 12,325,831 |
| Other activities | 31,515,494 |
| Unrestricted | 2,743,835 |
| Total Net Position | <u><u>\$ 208,254,929</u></u> |

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR-ENDED JUNE 30, 2013**

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) |
|---|-----------------------|--------------------------------|------------------------------------|----------------------------------|--------------------------------------|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Revenues and Changes in Net Position |
| | | | | | Total |
| Governmental Activities: | | | | | |
| Instruction | \$ 188,789,072 | \$ - | \$ 36,352,531 | \$ 1,171 | \$ (152,435,370) |
| Instruction-related activities: | | | | | |
| Supervision of instruction | 3,694,335 | - | 2,123,443 | - | (1,570,892) |
| Instructional library, media and technology | 1,822,011 | - | 238,476 | - | (1,583,535) |
| School site administration | 18,010,549 | - | 205,373 | - | (17,805,176) |
| Pupil services: | | | | | |
| Home-to-school transportation | 5,559,469 | 793,083 | 739,559 | - | (4,026,827) |
| Food services | 22,577,178 | 2,764,941 | 18,532,863 | - | (1,279,374) |
| All other pupil services | 19,084,256 | - | 4,071,363 | - | (15,012,893) |
| General administration: | | | | | |
| Data processing | 3,286,131 | - | - | - | (3,286,131) |
| All other general administration | 10,413,950 | 34,253 | 1,055,951 | - | (9,323,746) |
| Plant services | 29,680,581 | 68,271 | 616,352 | - | (28,995,958) |
| Ancillary services | 4,231,406 | - | 814,745 | - | (3,416,661) |
| Community services | 632,654 | - | 73,768 | - | (558,886) |
| Interest on long-term obligations | 6,491,340 | - | - | - | (6,491,340) |
| Other outgo | 12,404,876 | - | 869,316 | - | (11,535,560) |
| Total Governmental Activities | \$ 326,677,808 | \$ 3,660,548 | \$ 65,693,740 | \$ 1,171 | (257,322,349) |
| General Revenues and Subventions: | | | | | |
| Property taxes, levied for general purposes | | | | | 62,599,219 |
| Property taxes, levied for debt service | | | | | 9,881,815 |
| Taxes levied for other specific purposes | | | | | 3,825,902 |
| Federal and State aid not restricted to specific purposes | | | | | 162,845,416 |
| Interest and investment earnings | | | | | 349,901 |
| Miscellaneous | | | | | 13,561,462 |
| Subtotal, General Revenues | | | | | 253,063,715 |
| Change in Net Position | | | | | (4,258,634) |
| Net Position - Beginning | | | | | 212,513,563 |
| Net Position - Ending | | | | | \$ 208,254,929 |

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013**

| | General Fund | Capital Facilities Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|-------------------------|--|---|---|
| ASSETS | | | | |
| Deposits and investments | \$ 60,100,419 | \$ 23,629,883 | \$ 20,333,989 | \$ 104,064,291 |
| Receivables | 43,654,883 | 2,540 | 3,354,472 | 47,011,895 |
| Due from other funds | 2,324,446 | - | - | 2,324,446 |
| Prepaid expenditures | 3,799 | - | - | 3,799 |
| Stores inventories | 443,174 | - | 123,586 | 566,760 |
| Total Assets | \$ 106,526,721 | \$ 23,632,423 | \$ 23,812,047 | \$ 153,971,191 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 18,429,546 | \$ 330,776 | \$ 532,710 | \$ 19,293,032 |
| Due to other funds | 13,213,279 | 148,247 | 2,176,199 | 15,537,725 |
| Current loans | 47,000,000 | - | - | 47,000,000 |
| Deferred revenue | 473,589 | - | 21,866 | 495,455 |
| Total Liabilities | 79,116,414 | 479,023 | 2,730,775 | 82,326,212 |
| Fund Balances: | | | | |
| Nonspendable | 601,973 | - | 123,586 | 725,559 |
| Restricted | 12,325,831 | 23,153,400 | 17,192,520 | 52,671,751 |
| Assigned | 4,890,367 | - | 3,765,166 | 8,655,533 |
| Unassigned | 9,592,136 | - | - | 9,592,136 |
| Total Fund Balances | 27,410,307 | 23,153,400 | 21,081,272 | 71,644,979 |
| Total Liabilities and Fund Balances | \$ 106,526,721 | \$ 23,632,423 | \$ 23,812,047 | \$ 153,971,191 |

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

| | | |
|--|----------------------|------------------------------|
| Total Fund Balance - Governmental Funds | | \$ 71,644,979 |
| Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. | | |
| The cost of capital assets is the following | \$ 405,983,853 | |
| Accumulated depreciation is the following | <u>(123,131,481)</u> | |
| Net Capital Assets | | 282,852,372 |
| Expenditures relating to issuance of debt were recognized in modified accrual basis, but should not be recognized in accrual basis. Under accrual basis, these expenditures are capitalized and amortized over the life of the debt as an adjustment to interest expense. | | 1,949,174 |
| 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. | | (2,075,009) |
| 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. Internal Service Fund net assets are the following: | | 22,437,225 |
| Long-term obligations at year-end consist of the following: | | |
| General obligation bonds | 109,472,743 | |
| Premium on issuance, net of amortization | 5,591,168 | |
| Certificates of participation | 37,410,723 | |
| Discount on issuance, net of amortization | (26,629) | |
| Supplemental early retirement plan | 752,272 | |
| Property and liability | 205,000 | |
| Accumulated vacation | 1,325,804 | |
| Other postemployment benefits | <u>13,822,731</u> | |
| Total Long-Term Obligations | | <u>(168,553,812)</u> |
| Total Net Position - Governmental Activities | | <u>\$ 208,254,929</u> |

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR-ENDED JUNE 30, 2013**

| | General Fund | Capital Facilities Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|-------------------------|--|---|---|
| REVENUES | | | | |
| Revenue limit sources | \$ 190,685,191 | \$ - | \$ - | \$ 190,685,191 |
| Federal sources | 16,823,482 | - | 18,756,010 | 35,579,492 |
| Other State sources | 71,962,253 | - | 1,537,686 | 73,499,939 |
| Other local sources | 3,106,642 | 5,239,341 | 13,084,375 | 21,430,358 |
| Total Revenues | 282,577,568 | 5,239,341 | 33,378,071 | 321,194,980 |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 182,802,799 | - | - | 182,802,799 |
| Instruction-related activities: | | | | |
| Supervision of instruction | 3,664,685 | - | - | 3,664,685 |
| Instructional library, media, and technology | 1,811,870 | - | - | 1,811,870 |
| School site administration | 17,234,506 | - | - | 17,234,506 |
| Pupil services: | | | | |
| Home-to-school transportation | 5,287,492 | - | - | 5,287,492 |
| Food services | - | - | 21,791,872 | 21,791,872 |
| All other pupil services | 18,956,047 | - | - | 18,956,047 |
| General administration: | | | | |
| Data processing | 3,345,376 | - | - | 3,345,376 |
| All other general administration | 10,141,042 | 27,584 | - | 10,168,626 |
| Plant services | 28,336,985 | 46,072 | 515,177 | 28,898,234 |
| Facility acquisition and construction | 609,322 | 4,337,645 | 462,164 | 5,409,131 |
| Ancillary services | 4,194,790 | - | - | 4,194,790 |
| Community services | 628,259 | - | - | 628,259 |
| Other outgo | 12,217,829 | 187,047 | - | 12,404,876 |
| Debt service | | | | |
| Principal | - | 640,000 | 4,130,000 | 4,770,000 |
| Interest and other | - | 523,358 | 4,913,536 | 5,436,894 |
| Total Expenditures | 289,231,002 | 5,761,706 | 31,812,749 | 326,805,457 |
| Excess (Deficiency) of Revenues Over Expenditures | (6,653,434) | (522,365) | 1,565,322 | (5,610,477) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | 1,163,358 | - | 1,163,358 |
| Other sources - proceeds of refunding bonds | - | - | 23,326,386 | 23,326,386 |
| Transfers out | - | - | (1,163,358) | (1,163,358) |
| Other uses - payment to refunded bond escrow agent | - | - | (22,994,429) | (22,994,429) |
| Net Financing Sources (Uses) | - | 1,163,358 | (831,401) | 331,957 |
| NET CHANGE IN FUND BALANCES | (6,653,434) | 640,993 | 733,921 | (5,278,520) |
| Fund Balances - Beginning | 34,063,741 | 22,512,407 | 20,347,351 | 76,923,499 |
| Fund Balances - Ending | \$ 27,410,307 | \$ 23,153,400 | \$ 21,081,272 | \$ 71,644,979 |

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR-ENDED JUNE 30, 2013**

Total Net Change in Fund Balances - Governmental Funds **\$ (5,278,520)**
**Amounts Reported for Governmental Activities in the
Statement of Activities are Different Because:**

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

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

| | | |
|----------------------|--------------------|-------------|
| Capital outlays | \$ 5,841,517 | |
| Depreciation expense | <u>(7,984,225)</u> | (2,142,708) |

Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds. (16,933)

In the Statement of Activities, certain operating expenses - compensated absences (vacations), special termination benefits (supplemental early retirement plan) and other postemployment benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was more than the amounts earned by \$33,258. Special termination benefits paid was more than the amount added by \$376,136. Other postemployment benefits paid was less than the amount earned by \$3,147,675. (2,738,281)

The claims activity for property liability are reported in governmental funds (General Fund) as expenditures. In the Statement of Net Position, the property liabilities incurred but not claimed are reported as long-term obligations. 205,000

Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:

Sale of general obligation bonds (23,326,386)

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

| | | |
|------------------------------|------------------|-----------|
| Cost of issuance | 331,957 | |
| Deferred amount on refunding | <u>1,009,429</u> | 1,341,386 |

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES -
(Continued)
FOR THE YEAR-ENDED JUNE 30, 2013**

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:

| | | |
|-------------------------------|----------------|---------------|
| General obligation bonds | \$ 26,115,000 | |
| Certificates of participation | <u>640,000</u> | \$ 26,755,000 |

Under the modified basis of accounting used in the 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 | 1,181,369 | |
| Amortization of debt discount | (2,420) | |
| Amortization of cost of issuance | <u>(1,760,079)</u> | (581,130) |

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 two factors. First, accrued interest on the general obligation bonds and certificates of participation decreased by \$184,522, and second, \$989,795 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds and certificates of participation.

(805,273)

Interest on long-term debt 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 net result of two factors.

An Internal Service Fund is used by the District's management to charge the costs of the Health and Welfare insurance program to the individual funds. The net loss of the Internal Service Fund is reported with governmental activities.

Change in Net Position of Governmental Activities

| |
|------------------------------|
| 2,329,211 |
| <u><u>\$ (4,258,634)</u></u> |

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013**

| | Governmental Activities - Internal Service Fund |
|--------------------------------------|--|
| ASSETS | |
| Current Assets | |
| Deposits and investments | \$ 13,772,530 |
| Receivables | 21,718 |
| Due from other funds | 13,213,279 |
| Total Current Assets | <u>27,007,527</u> |
| LIABILITIES | |
| Current Liabilities | |
| Accounts payable | 1,294,779 |
| Current portion of Claims liability | 3,028,000 |
| Total Current Liabilities | <u>4,322,779</u> |
| Noncurrent Liabilities | |
| Claims liability | 247,523 |
| Total Non-Current Liabilities | <u>4,570,302</u> |
| NET POSITION | |
| Restricted | 22,437,225 |
| Total Net Position | <u>\$ 22,437,225</u> |

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
JUNE 30, 2013**

| | <u>Governmental Activities - Internal Service Fund</u> |
|---|--|
| OPERATING REVENUES | |
| Charges to other funds and miscellaneous revenues | <u>\$ 39,413,304</u> |
| OPERATING EXPENSES | |
| Professional and contract services | <u>37,133,245</u> |
| Operating Income | <u>2,280,059</u> |
| NONOPERATING REVENUES | |
| Interest income | <u>49,152</u> |
| Change in Net Position | 2,329,211 |
| Total Net Position - Beginning | <u>20,108,014</u> |
| Total Net Position - Ending | <u><u>\$ 22,437,225</u></u> |

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR-ENDED JUNE 30, 2013**

| | Governmental Activities - Internal Service Fund |
|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash receipts from interfund services provided | \$ 40,149,042 |
| Cash payments for interfund services used, including payments in lieu of taxes that are payments for, and equivalent to, services provided | <u>(37,819,571)</u> |
| Net Cash Provided by Operating Activities | <u>2,329,471</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest on investments | <u>49,152</u> |
| Net Increase in Cash and Cash Equivalents | 2,378,623 |
| Cash and Cash Equivalents - Beginning | 11,393,907 |
| Cash and Cash Equivalents - Ending | <u>\$ 13,772,530</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | |
| Operating income | \$ 2,280,059 |
| Changes in assets and liabilities: | |
| Receivables | 31,742 |
| Due from other funds | 634,306 |
| Prepaid expenses | 69,690 |
| Accounts payable | 94,818 |
| Claims liability | <u>(781,144)</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 2,329,471</u> |

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013**

| | Agency Funds |
|--------------------------|----------------------------|
| ASSETS | |
| Deposits and investments | \$ 2,791,792 |
| Receivables | 6 |
| Stores inventories | 8,114 |
| Total Assets | <u><u>\$ 2,799,912</u></u> |
| | |
| LIABILITIES | |
| Accounts payable | \$ 123,745 |
| Due to student groups | 2,675,614 |
| Due to other agencies | 553 |
| Total Liabilities | <u><u>\$ 2,799,912</u></u> |

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Anaheim Union High School District (the District) was organized in 1898 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 7-12 as mandated by the State and Federal agencies. The District operates eight high schools, eight junior high schools, one 7-12 academy, one special education facility, and one alternative education program.

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 the District, this includes general operations, food service, and student related activities.

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.

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).

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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.

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).

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).

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.).

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

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).

Proprietary Fund Proprietary Fund reporting focuses on the determination of operating income, changes in net position, 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 Fund 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 workers' compensation and health and welfare self-insurance funds that are accounted for in an internal service fund.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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. The District operates no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB) and monies received on behalf of Special Education Local Plan Area (SELPA) for special education revenue passed through to Greater Anaheim Special Education Local Plan Area (GASELPA).

Basis of Accounting - Measurement Focus

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

The government-wide financial statement of activities presents a comparison between direct expenses and program revenues for each governmental program, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. 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 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 position 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 position 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 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.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Governmental Funds All governmental funds are accounted for using a 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 reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Proprietary Funds Proprietary Funds are accounted for using a 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 position. The statement of changes in fund net position 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.

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 90 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 requirements. 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 combined balance sheet and revenue is recognized.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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 government-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.

Investments

Investments held at June 30, 2013, 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 and State investment pools are determined by the program sponsor.

Prepaid Expenditures (Expenses)

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

Stores Inventories

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

Deferred Charges

Deferred charges consist of costs of issuance and refunding of long-term debt obligations. In the government-wide and proprietary funds financial statements, costs of issuance and costs of refunding (the difference between the reacquisition price and the net carrying value of the refunded debt) are capitalized and amortized over the life of the related debt as a component of interest expense using a method that approximates the effective interest method. In the governmental fund financial statements, these costs are reported as expenditures.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. 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 financial statement of net position. The valuation basis for general capital assets are 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.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements/ infrastructure, 5 to 50 years; equipment, 5 to 15 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 activities columns of the Statement of Net Position.

Compensated Absences

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

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 the government-wide financial statements and in the proprietary fund type financial statements, premiums and discounts on issuance of long-term obligations are deferred and amortized over the life of the related debt as a component of interest expense using the straight-line method. In the governmental funds, premiums and discounts on issuance of long-term obligations are recognized as other financing sources and uses, respectively.

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 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 fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

Deferred Issuance Costs, Premiums and Discounts

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 statement of net position. 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, 2013, 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.

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 assistant superintendent of business may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Net Position

Net position represents the difference between assets and liabilities. Net position net investment in capital assets, 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 position is 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 position is available. The government-wide financial statements report net position restricted by enabling legislation of \$65,990,466.

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 cost incurred to provide the good or service that is the primary activity of the fund.

Interfund Activity

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

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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.

Changes in Accounting Principles

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The District has implemented the provisions of this Statement for the year ended June 30, 2013.

New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 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:

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.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2013, are classified in the accompanying financial statements as follows:

| | |
|--------------------------------|------------------------------|
| Governmental activities | \$ 117,836,821 |
| Fiduciary funds | <u>2,791,792</u> |
| Total Deposits and Investments | <u><u>\$ 120,628,613</u></u> |

Deposits and investments as of June 30, 2013, consisted of the following:

| | |
|--------------------------------|------------------------------|
| Cash on hand and in banks | \$ 13,184,531 |
| Cash in revolving | 155,000 |
| Investments | <u>107,289,082</u> |
| Total Deposits and Investments | <u><u>\$ 120,628,613</u></u> |

Policies and Practices

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

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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 having the Pool purchase 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.

ANAHEIM UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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 | Amortized Cost | Fair Value | Maturity Date/ Average Maturity in Days |
|-------------------------------------|-----------------------|-----------------------|---|
| Mutual Funds | \$ 2,158,088 | \$ 2,158,088 | 53 |
| First American Treasury Obligations | 8,489,110 | 8,489,110 | 53 |
| Orange County Investment Pool | 93,950,708 | 93,764,484 | 300 |
| Commercial Paper | 2,691,176 | 2,740,718 | December 24, 2013 |
| Total | <u>\$ 107,289,082</u> | <u>\$ 107,152,400</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. While the District's investment in the county pool is not required to be rated as of year-end, it reflected an Aaa rating by Moody's. Likewise, the First American Treasury Obligations reflected an Aaa rating by Moody's. Commercial paper reflected an Aa3 rating by Moody's. Investment agreements were not rated.

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. There were no investments in any one issuer that represent five percent (5%) or more of the total investments.

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 have a policy for custodial credit risk for deposits. Monies so deposited shall be in a fully-secured or collateralized account or instruments. 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, 2013, the District's bank balance of \$12,001,892 was exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

ANAHEIM UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 3 - RECEIVABLES

Receivables at June 30, 2013, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

| | General Fund | Capital Facilities Fund | Non-Major Governmental Funds | Internal Service Fund | Total Governmental Activities | Fiduciary Fund |
|---------------------|----------------------|-------------------------------|------------------------------------|-----------------------------|-------------------------------------|-------------------|
| Federal Government | | | | | | |
| Categorical aid | \$ 4,462,823 | \$ - | \$ 3,030,497 | \$ - | \$ 7,493,320 | \$ - |
| State Government | | | | | | |
| Apportionment | 27,016,743 | - | - | - | 27,016,743 | - |
| Categorical aid | 6,308,548 | - | 251,601 | - | 6,560,149 | - |
| Lottery | 2,763,227 | - | - | - | 2,763,227 | - |
| Local Government | | | | | | |
| Interest | 40,634 | 2,540 | 93 | 3,688 | 46,955 | - |
| Greater Anaheim | | | | | | |
| SELPA | 1,250,229 | - | - | - | 1,250,229 | - |
| North Orange County | | | | | | |
| ROP | 38,438 | - | - | - | 38,438 | - |
| Due from other LEAs | 372,959 | - | - | - | 372,959 | - |
| Other local sources | 1,401,282 | - | 72,281 | 18,030 | 1,491,593 | 6 |
| Total | <u>\$ 43,654,883</u> | <u>\$ 2,540</u> | <u>\$ 3,354,472</u> | <u>\$ 21,718</u> | <u>\$ 47,033,613</u> | <u>\$ 6</u> |

ANAHEIM UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year-ended June 30, 2013, was as follows:

| | Balance July 1, 2012 | Additions | Deductions | Balance June 30, 2013 |
|--|-------------------------|---------------------|---------------------|--------------------------|
| Governmental Activities | | | | |
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 5,869,831 | \$ - | \$ - | \$ 5,869,831 |
| Construction in process | 700,712 | 3,657,998 | 4,313,611 | 45,099 |
| Total Capital Assets Not Being Depreciated | <u>6,570,543</u> | <u>3,657,998</u> | <u>4,313,611</u> | <u>5,914,930</u> |
| Capital Assets Being Depreciated | | | | |
| Land improvements | 19,881,881 | 1,969,419 | - | 21,851,300 |
| Buildings and improvements | 360,555,069 | 2,344,192 | - | 362,899,261 |
| Furniture and equipment | 7,829,261 | 2,134,720 | 44,220 | 9,919,761 |
| Vehicles | 5,398,359 | 48,799 | 48,557 | 5,398,601 |
| Total Capital Assets Being Depreciated | <u>393,664,570</u> | <u>6,497,130</u> | <u>92,777</u> | <u>400,068,923</u> |
| Total Capital Assets | <u>400,235,113</u> | <u>10,155,128</u> | <u>4,406,388</u> | <u>405,983,853</u> |
| Less Accumulated Depreciation | | | | |
| Land improvements | 17,635,646 | 197,533 | - | 17,833,179 |
| Buildings and improvements | 88,298,999 | 6,960,932 | - | 95,259,931 |
| Furniture and equipment | 5,021,657 | 626,052 | 40,657 | 5,607,052 |
| Vehicles | 4,266,798 | 199,708 | 35,187 | 4,431,319 |
| Total Accumulated Depreciation | <u>115,223,100</u> | <u>7,984,225</u> | <u>75,844</u> | <u>123,131,481</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 285,012,013</u> | <u>\$ 2,170,903</u> | <u>\$ 4,330,544</u> | <u>\$ 282,852,372</u> |

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

| | |
|---|---------------------|
| Governmental Activities | |
| Instruction | \$ 5,030,062 |
| School site administration | 638,738 |
| Home-to-school transportation | 239,527 |
| Food services | 718,580 |
| Data processing | 79,842 |
| All other general administration | 399,211 |
| Plant services | 878,265 |
| Total Depreciation Expenses Governmental Activities | <u>\$ 7,984,225</u> |

ANAHEIM UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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, 2013, between major and non-major governmental funds are as follows:

| Due To | Due From | | | Total |
|-----------------------|----------------------|-------------------------|------------------------------|----------------------|
| | General Fund | Capital Facilities Fund | Non-Major Governmental Funds | |
| General Fund | \$ - | \$ 148,247 | \$ 2,176,199 | \$ 2,324,446 |
| Internal Service Fund | 13,213,279 | - | - | 13,213,279 |
| Total | <u>\$ 13,213,279</u> | <u>\$ 148,247</u> | <u>\$ 2,176,199</u> | <u>\$ 15,537,725</u> |

A balance of \$10,000,000 is due to the Internal Service Fund from the General Fund for reimbursement of a loan.

A balance of \$3,213,279 is due to the Internal Service Fund from the General Fund for Health and Welfare costs.

The Balance of \$148,347 is due to the General Fund from the Capital Facilities Fund for RDA monies subject to revenue limit.

The balance of \$2,176,199 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for repayment of payroll related costs and supplies.

Operating Transfers

Interfund transfers for the year-ended June 30, 2013, consisted of the following:

| Transfer To | Transfer From | |
|-------------------------|------------------------------|---------------------|
| | Non-Major Governmental Funds | Total |
| Capital Facilities Fund | <u>\$ 1,163,358</u> | <u>\$ 1,163,358</u> |

The Special Reserve Fund for Capital Projects transferred to the Capital Facilities Fund to pay debt service payments for food services COP.

\$ 1,163,358

ANAHEIM UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2013, consisted of the following:

| | General Fund | Capital Facilities Fund | Non-Major Governmental Funds | Internal Service Fund | Total Governmental Activities | Fiduciary Fund |
|------------------------------|----------------------|-------------------------------|------------------------------------|-----------------------------|-------------------------------------|-------------------|
| Accrued payroll and benefits | \$ 10,257,086 | \$ - | \$ - | \$ - | \$ 10,257,086 | \$ - |
| Construction | 208,119 | 287,164 | - | - | 495,283 | - |
| Anaheim City School District | - | - | 141,159 | - | 141,159 | - |
| Greater Anaheim SELPA | 485,531 | - | - | - | 485,531 | - |
| North Orange County ROP | 5,224,517 | - | - | - | 5,224,517 | - |
| Books and supplies | 314,238 | - | 312,658 | - | 626,896 | - |
| Services | 1,616,340 | 43,612 | 78,893 | 1,294,779 | 3,033,624 | 123,745 |
| Other | 323,715 | - | - | - | 323,715 | - |
| Total | <u>\$ 18,429,546</u> | <u>\$ 330,776</u> | <u>\$ 532,710</u> | <u>\$ 1,294,779</u> | <u>\$ 20,587,811</u> | <u>\$ 123,745</u> |

NOTE 7 - DEFERRED REVENUES

Deferred revenues at June 30, 2013, consisted of the following:

| | General Fund | Non-Major Governmental Funds | Total Governmental Activities |
|------------------------------|-------------------|------------------------------------|-------------------------------------|
| Federal financial assistance | \$ 399,386 | \$ - | \$ 399,386 |
| State categorical aid | 12,776 | - | 12,776 |
| Other local | 61,427 | 21,866 | 83,293 |
| Total | <u>\$ 473,589</u> | <u>\$ 21,866</u> | <u>\$ 495,455</u> |

ANAHEIM UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 8 - CURRENT LOANS

On January 22, 2013, 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 during the fiscal year from the County Treasurer for funding the District's short-term cash flow. Repayment terms require installments to be paid with interest by August 31, 2013. 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, 2013, the District had an outstanding loan balance in the amount of \$47,000,000.

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

| | Balance July 1, 2012 | Additions | Deductions | Balance June 30, 2013 | Due in One Year |
|------------------------------------|-------------------------|----------------------|----------------------|--------------------------|----------------------|
| General obligation bonds | \$ 113,791,853 | \$ 21,795,890 | \$ 26,115,000 | \$ 109,472,743 | \$ 7,985,000 |
| Premium on issuance | 4,671,151 | 2,101,386 | 1,181,369 | 5,591,168 | - |
| Certificates of participation | 37,631,818 | 418,905 | 640,000 | 37,410,723 | 670,000 |
| Discount on issuance | (29,049) | - | (2,420) | (26,629) | - |
| Property and liability | 410,000 | 484,876 | 689,876 | 205,000 | - |
| Accumulated vacation - net | 1,359,062 | - | 33,258 | 1,325,804 | - |
| Supplemental early retirement plan | 1,128,408 | - | 376,136 | 752,272 | 376,136 |
| Other postemployment benefits | 10,675,056 | 5,049,132 | 1,901,457 | 13,822,731 | 1,901,457 |
| | <u>\$ 169,638,299</u> | <u>\$ 29,850,189</u> | <u>\$ 30,934,676</u> | <u>\$ 168,553,812</u> | <u>\$ 10,932,593</u> |

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments on the certificates of participation are made by the Capital Facilities Fund. Payments for the cumulative rebate liability, property and liability and supplemental early retirement plan are made by the General Fund. The accumulated vacation will be paid by the fund for which the employee worked. Other postemployment benefits are paid by the Self-Insurance Fund.

ANAHEIM UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

| Issue Date | Maturity Date | Interest Rate | Original Issue | Bonds | | | Bonds |
|------------|---------------|---------------|-----------------------|--------------------------|----------------------|----------------------|---------------------------|
| | | | | Outstanding July 1, 2012 | Accreted | Redeemed | Outstanding June 30, 2013 |
| 6/6/02 | 8/1/26 | 3.00% - 5.70% | \$ 91,999,603 | \$ 6,918,596 | \$ 219,307 | \$ 3,125,000 | \$ 4,012,903 |
| 12/5/03 | 8/1/28 | 2.00% - 5.54% | 26,999,352 | 28,068,257 | 351,583 | 22,210,000 | 6,209,840 |
| 1/13/05 | 8/1/25 | 3.00% - 5.00% | 70,590,000 | 68,270,000 | - | 125,000 | 68,145,000 |
| 5/10/06 | 8/1/22 | 4.00% - 5.25% | 13,000,000 | 10,535,000 | - | 655,000 | 9,880,000 |
| 10/11/12 | 8/1/27 | 2.50% - 5.00% | 21,225,000 | - | 21,225,000 | - | 21,225,000 |
| | | | <u>\$ 223,813,955</u> | <u>\$ 113,791,853</u> | <u>\$ 21,795,890</u> | <u>\$ 26,115,000</u> | <u>\$ 109,472,743</u> |

2002 General Obligation Bonds, Series A

On June 6, 2002, the District issued \$91,999,603 aggregate original principal amount of 2002 General Obligation Bonds, Series A. The bonds issued included \$89,790,000 of current interest bonds and \$2,209,603 of capital appreciation bonds. The capital appreciation bonds have a maturing principal balance of \$8,570,000. The bonds mature through August 1, 2026, with interest yields ranging from 3.00 to 5.70 percent. On January 13, 2005, \$67,565,000 of the bonds were advanced refunded with proceeds from the 2005 General Obligation Refunding Bonds. At June 30, 2013, the principal balance outstanding (including accreted interest to date) was \$4,012,903 and unamortized premium and issuance costs were \$1,155,326 and \$527,223, respectively. Premium and issuance costs are amortized over the life of the bonds as a component of interest expense on the bonds.

2003 General Obligation Bonds

On December 5, 2003, the District issued the \$26,999,352 aggregate original principal amount of 2003 General Obligation Bonds. The bonds issued included \$24,020,000 of current interest bonds and \$2,979,352 of capital appreciation bonds. The capital appreciation bonds have a maturing principal balance of \$15,040,000. The bonds mature through August 1, 2028, with interest yields ranging from 2.00 to 5.541 percent.

As a result of the issuance of the 2012 General Obligation Refunding Bonds, a partial funding of \$21,985,000 was affected for these bonds. As of June 30, 2013, the principal balance outstanding was \$6,209,840.

2005 General Obligation Refunding Bonds

On January 13, 2005, the District issued the 2005 General Obligation Refunding Bonds in the amount of \$70,590,000. The bonds were issued at an aggregate price of \$73,878,394, (representing the principal amount of \$70,590,000 plus an original issue premium of \$3,834,443, less underwriter's discount of \$388,245, and cost of issuance of \$157,804). The bonds mature through August 1, 2025, and yield interest rates of 3.00 to 5.00 percent.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

The bonds were issued to refund \$67,565,000 of the outstanding Anaheim Union High School District 2002 General Obligation Bonds, Series A. The bonds associated with the \$67,565,000 of 2002 Issuance Series A were placed in an escrow account with U.S. Bank for the future redemption of these bonds. Deferred charges on refunding of \$6,171,436 will be amortized into interest expense over the prepayment period. As of June 30, 2013, the principal balance of \$68,145,000 remained outstanding and unamortized premium and issuance costs were \$2,212,794 and \$397,037, respectively.

2002 General Obligation Bonds, Series 2006 C

On May 10, 2006, the District issued \$13,000,000 of the 2002 General Obligation Bonds, Series 2006 C. The District has previously issued general obligation bonds under the same authorization in the amount of \$91,999,603 and \$26,999,352 for the 2002 Series A and 2003 General Obligation Bonds. The current issuance represents the final portion of the \$132,000,000 general obligation bonds authorized on March 5, 2002. The bonds mature through August 1, 2022, with interest yields ranging from 4.00 to 5.25 percent. The proceeds from the sales of the bonds will be used to finance school construction and improvements to the school facilities. At June 30, 2013, the principal balance outstanding was \$9,880,000 and unamortized premium and issuance costs were \$261,754 and \$172,486, respectively. Premium and issuance costs are amortized over the life of the bonds as a component of interest expense on the bonds.

2012 General Obligation Refunding Bonds

In October 2012, the Anaheim Union High School District issued the \$21,225,000 of 2012 General Obligation Refunding Bonds. The current interest bonds mature August 1, 2027, with interest yields of 2.50 to 5.00 percent. The bonds were issued at an aggregate price of \$23,326,386 (representing the principal amount of \$21,225,000 plus an original issue premium of \$2,101,386 less cost of issuance of \$331,957).

Proceeds from the bonds were be used to advance refund the District's outstanding 2003 General Obligation Bonds current interest bonds and pay costs associated with the issuance of the bonds. The prepayment for these refunding will occur August 1, 2013.

The refunding of debt resulted in a decrease in debt service payments of \$4,808,520. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new certificates) of \$3,765,564. The advance refunding met the requirements of an in-substance defeasance and the associated liabilities were removed from the District's financial statements. As of June 30, 2013, the principal balance outstanding was \$6,209,840, and unamortized premium was \$1,961,294. Premium is amortized over the life of the bonds as a component of interest expense on the bonds.

ANAHEIM UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Debt Service Requirements to Maturity

The 2002 Series A Bonds mature through 2027 as follows:

| Fiscal Year June 30, | Principal Including Accreted Interest to Date | Accreted Interest | Current Interest to Maturity | Total |
|-------------------------|---|----------------------|------------------------------------|---------------------|
| 2014 | \$ - | \$ - | \$ - | \$ - |
| 2015 | - | - | - | - |
| 2016 | - | - | - | - |
| 2017 | - | - | - | - |
| 2018 | - | - | - | - |
| 2019-2023 | - | - | - | - |
| 2024-2027 | 4,012,903 | 4,557,097 | - | 8,570,000 |
| Total | \$ 4,012,903 | \$ 4,557,097 | \$ - | \$ 8,570,000 |

The 2003 Series Bonds mature through 2029 as follows:

| Fiscal Year June 30, | Principal Including Accreted Interest to Date | Accreted Interest | Current Interest to Maturity | Total |
|-------------------------|---|----------------------|------------------------------------|----------------------|
| 2014 | \$ 745,000 | \$ - | \$ 14,900 | \$ 759,900 |
| 2015 | - | - | - | - |
| 2016 | - | - | - | - |
| 2017 | - | - | - | - |
| 2018 | - | - | - | - |
| 2019-2023 | - | - | - | - |
| 2024-2028 | 1,552,666 | 2,507,334 | - | 4,060,000 |
| 2029 | 3,912,174 | 7,067,826 | - | 10,980,000 |
| Total | \$ 6,209,840 | \$ 9,575,160 | \$ 14,900 | \$ 15,799,900 |

ANAHEIM UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

The 2005 Refunding Bonds mature through 2026 as follows:

| Fiscal Year June 30, | Principal | Current Interest to Maturity | Total |
|-------------------------|----------------------|------------------------------------|----------------------|
| 2014 | \$ 2,925,000 | \$ 3,186,913 | \$ 6,111,913 |
| 2015 | 3,230,000 | 3,033,038 | 6,263,038 |
| 2016 | 3,670,000 | 2,860,538 | 6,530,538 |
| 2017 | 4,005,000 | 2,668,662 | 6,673,662 |
| 2018 | 4,360,000 | 2,459,538 | 6,819,538 |
| 2019-2023 | 27,760,000 | 8,705,062 | 36,465,062 |
| 2024-2026 | 22,195,000 | 1,631,030 | 23,826,030 |
| Total | <u>\$ 68,145,000</u> | <u>\$ 24,544,781</u> | <u>\$ 92,689,781</u> |

The Series 2006 C Bonds mature through 2023 as follows:

| Fiscal Year June 30, | Principal | Current Interest to Maturity | Total |
|-------------------------|---------------------|------------------------------------|----------------------|
| 2014 | \$ 830,000 | \$ 456,073 | \$ 1,286,073 |
| 2015 | 880,000 | 420,773 | 1,300,773 |
| 2016 | 805,000 | 381,947 | 1,186,947 |
| 2017 | 870,000 | 340,072 | 1,210,072 |
| 2018 | 930,000 | 298,793 | 1,228,793 |
| 2019-2023 | 5,565,000 | 739,981 | 6,304,981 |
| Total | <u>\$ 9,880,000</u> | <u>\$ 2,637,639</u> | <u>\$ 12,517,639</u> |

The Series 2012 Refunding Bonds mature through 2028 as follows:

| Fiscal Year June 30, | Principal | Current Interest to Maturity | Total |
|-------------------------|----------------------|------------------------------------|----------------------|
| 2014 | \$ 360,000 | \$ 803,519 | \$ 1,163,519 |
| 2015 | 1,000,000 | 778,119 | 1,778,119 |
| 2016 | 1,000,000 | 738,119 | 1,738,119 |
| 2017 | 1,000,000 | 693,119 | 1,693,119 |
| 2018 | 1,000,000 | 643,119 | 1,643,119 |
| 2019-2023 | 5,590,000 | 2,421,843 | 8,011,843 |
| 2024-2028 | 11,275,000 | 1,027,840 | 12,302,840 |
| Total | <u>\$ 21,225,000</u> | <u>\$ 7,105,678</u> | <u>\$ 28,330,678</u> |

ANAHEIM UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Certificates of Participation

The outstanding certificate of participation debt is as follows:

| Issue Date | Maturity Date | Interest Rate | Original Issue | Outstanding July 1, 2012 | Accreted | Redeemed | Outstanding June 30, 2013 |
|------------|---------------|---|----------------|--------------------------|-------------------|-------------------|---------------------------|
| 8/27/04 | 9/1/24 | 4.00-5.13% | \$ 15,000,000 | \$ 11,895,000 | \$ - | \$ 640,000 | \$ 11,255,000 |
| 12/23/03 | 12/23/18 | - | 5,000,000 | 5,000,000 | - | - | 5,000,000 |
| 1/26/12 | 12/1/41 | 2.10% until 12/1/14, Subsequent Change in Interest Mode | 20,593,095 | 20,736,818 | 418,905 | - | 21,155,723 |
| | | | | <u>\$ 37,631,818</u> | <u>\$ 418,905</u> | <u>\$ 640,000</u> | <u>\$ 37,410,723</u> |

2004 Certificates of Participation, Series A, B, and C

On August 27, 2004, the District, pursuant to a lease agreement with the Anaheim Union High School District Facilities Corporation, issued certificates of participation in the amount of \$15,000,000. The certificates were issued to finance the acquisition and improvements of school facilities, fund a reserve fund for the certificates, and pay costs of issuance incurred in connection with the execution and delivery of the certificates. The interest rate of the certificates ranges from 4.00 to 5.13 percent, and the certificates mature through September 1, 2024. At June 30, 2013, principal balance outstanding was \$11,255,000 and unamortized discount and issuance costs were \$26,629 and \$21,319, respectively.

The certificates mature through 2025 as follows:

| Fiscal Year June 30, | Principal | Interest | Total |
|-------------------------|----------------------|---------------------|----------------------|
| 2014 | \$ 670,000 | \$ 491,093 | \$ 1,161,093 |
| 2015 | 700,000 | 456,663 | 1,156,663 |
| 2016 | 735,000 | 420,030 | 1,155,030 |
| 2017 | 855,000 | 384,078 | 1,239,078 |
| 2018 | 890,000 | 348,733 | 1,238,733 |
| 2019-2023 | 5,055,000 | 1,130,373 | 6,185,373 |
| 2024-2025 | 2,350,000 | 111,625 | 2,461,625 |
| Total | <u>\$ 11,255,000</u> | <u>\$ 3,342,595</u> | <u>\$ 14,597,595</u> |

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

2003 Qualified Zone Academy Bond Certificates of Participation

On December 23, 2003, the District issued \$5,000,000 aggregate principal amount of Qualified Zone Academy Bond Program (QZAB) certificates of participation. The QZAB certificates represent interest free financing for the District. Owners of the QZAB certificates receive a Federal tax credit in lieu of charging the District interest on the certificates. The certificates mature on December 23, 2018. The District received net proceeds of \$4,941,850 (after payment of \$58,150 in underwriter fees, insurance, and other issuance costs). At June 30, 2013, the principal balance outstanding was \$5,000,000 and unamortized issuance costs were \$162,519. The issuance costs are amortized over the life of the bonds as a component of interest expense on the bonds.

2012 Refunding Certificates of Participation

On January 26, 2012, the Anaheim Union High School District Facilities Corporation issued the \$20,593,095 2012 Refunding Certificates of Participation. The certificates accrete at the rate of 2.01 percent until December 1, 2014 to the amount of \$21,800,000. Subsequently, the District will make scheduled payments until December 1, 2041, paying the current market interest rates based on the interest method selected by the District at that time. The net proceeds of \$17,702,056 from the issuance (issuance of \$21,593,095 net of deposited amount to reserve fund of \$2,059,310 and costs incurred on issuance of \$831,730) were used to current refund the District's outstanding 1999 Certificates of Participation, with the prepayment occurring March 1, 2012. Contributions from the 1999 Certificates of Participation interest and reserve funds resulted in additional funds of \$3,105,735 placed with an escrow agent to satisfy prepayment of the remaining balance of the 1999 Certificates of Participation. At June 30, 2013, the principal balance outstanding on the 2012 Refunding Certificates of Participation was \$21,155,723. Unamortized costs on issuance of the bonds amounted to \$668,590 as of June 30, 2013.

The certificates mature through 2041 as follows:

| Fiscal Year June 30, | Principal | | | Total |
|-------------------------|--|----------------------|--------------|---------------|
| | Including Accreted Interest to Date | Accreted Interest | Interest* | |
| 2014 | \$ - | \$ - | \$ - | \$ - |
| 2015 | - | - | 228,900 | 228,900 |
| 2016 | - | - | 457,800 | 457,800 |
| 2017 | 145,567 | 4,433 | 456,225 | 606,225 |
| 2018 | 174,680 | 5,320 | 452,760 | 632,760 |
| 2019-2023 | 1,407,147 | 42,853 | 2,186,625 | 3,636,625 |
| 2024-2028 | 2,542,569 | 77,431 | 1,975,680 | 4,595,680 |
| 2029-2033 | 4,066,169 | 123,831 | 1,622,355 | 5,812,355 |
| 2034-2038 | 6,094,401 | 185,599 | 1,077,300 | 7,357,300 |
| 2039-2041 | 6,725,190 | 204,810 | 302,715 | 7,232,715 |
| Total | \$ 21,155,723 | \$ 644,277 | \$ 8,760,360 | \$ 30,560,360 |

* Interest is calculated based on the District's selection made after December 1, 2014. The interest noted for the above schedule was based on the interest rate of 2.01 percent, which is the current accretion rate.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

Property and Liability

The District has a property and liability program balance of \$205,000 at June 30, 2013.

Accumulated Unpaid Employee Vacation

Accumulated unpaid employee vacation for the District at June 30, 2013, amounted to \$1,325,804.

Supplemental Early Retirement Plan (SERP)

During the 2010-2011 fiscal year, the District adopted a supplemental early retirement plan whereby certain eligible certificated employees are provided an annuity to supplement the retirement benefits they are entitled to through the California State Teachers' Retirement System. The criteria for participation are as follows; full-time certificated and classified employees of the District, at least 55 years of age by the date of retirement, with at least five years of continuous service with the District by date of retirement. The annuities offered to the employees are to be paid over a five-year period.

Future annuity payments are as follows:

| Year Ending June 30, | Amount |
|-------------------------|-------------------|
| 2014 | \$ 376,136 |
| 2015 | 376,136 |
| Total | <u>\$ 752,272</u> |

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year-ended June 30, 2013, was \$4,888,457, and contributions made by the District during the year were \$1,901,457. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$694,428 and (\$533,753), respectively, which resulted in an increase to the net OPEB obligation of \$3,147,675. As of June 30, 2013, the net OPEB obligation was \$13,822,731. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

ANAHEIM UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

| | General Fund | Capital Facilities Fund | Non-Major Governmental Funds | Total |
|------------------------------------|----------------------|-------------------------------|------------------------------------|----------------------|
| Nonspendable | | | | |
| Revolving cash | \$ 155,000 | \$ - | \$ - | \$ 155,000 |
| Stores inventories | 443,174 | - | 123,586 | 566,760 |
| Prepaid expenditures | 3,799 | - | - | 3,799 |
| Total Nonspendable | <u>601,973</u> | <u>-</u> | <u>123,586</u> | <u>725,559</u> |
| Restricted | | | | |
| Legally restricted programs | 12,325,831 | - | - | 12,325,831 |
| Nutrition services | - | - | 8,954,683 | 8,954,683 |
| Capital projects | - | 23,153,400 | 363,181 | 23,516,581 |
| Debt services | - | - | 7,874,656 | 7,874,656 |
| Total Restricted | <u>12,325,831</u> | <u>23,153,400</u> | <u>17,192,520</u> | <u>52,671,751</u> |
| Assigned | | | | |
| Site carryover | 865,572 | - | - | 865,572 |
| Mandated cost reimbursement | 2,026,915 | - | - | 2,026,915 |
| Deferred maintenance | 1,500,000 | - | - | 1,500,000 |
| Site information system software | 497,880 | - | - | 497,880 |
| Capital projects | - | - | 3,765,166 | 3,765,166 |
| Total Assigned | <u>4,890,367</u> | <u>-</u> | <u>3,765,166</u> | <u>8,655,533</u> |
| Unassigned | | | | |
| Reserve for economic uncertainties | 5,639,300 | - | - | 5,639,300 |
| Remaining unassigned | 3,952,836 | - | - | 3,952,836 |
| Total Unassigned | <u>9,592,136</u> | <u>-</u> | <u>-</u> | <u>9,592,136</u> |
| Total | <u>\$ 27,410,307</u> | <u>\$ 23,153,400</u> | <u>\$ 21,081,272</u> | <u>\$ 71,644,979</u> |

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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

Plan Description

The Postemployment Benefit District Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Anaheim Union High School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. The Plan also provides vision benefits for six retirees and their spouses. Membership of the Plan consists of 483 retirees and beneficiaries currently receiving benefits, and 2,453 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 Anaheim Secondary Teachers Association (ASTA), the local California School Employees Association (CSEA), Anaheim Personnel and Guidance Association (APGA), American Federal of State, County and Municipal Employees (AFSCME), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. No additional amount to prefund benefits has been determined through the agreements between the District, CEA, CSEA, APGA, AFSCME, and the unrepresented groups. For fiscal year 2012-2013, the District contributed \$1,901,457 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual 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 30 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 | \$ 4,888,457 |
| Interest on net OPEB obligation | 694,428 |
| Adjustment to annual required contribution | <u>(533,753)</u> |
| Annual OPEB cost (expense) | 5,049,132 |
| Contributions made | <u>(1,901,457)</u> |
| Increase in net OPEB obligation | 3,147,675 |
| Net OPEB obligation, beginning of year | <u>10,675,056</u> |
| Net OPEB obligation, end of year | <u><u>\$ 13,822,731</u></u> |

ANAHEIM UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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 Employer Contribution | Percentage Contributed | Net OPEB Obligation |
|------------------------|---------------------|---------------------------------|---------------------------|------------------------|
| 2011 | \$ 4,784,310 | \$ 2,373,372 | 50% | \$ 7,883,442 |
| 2012 | 4,850,279 | 2,058,665 | 42% | 10,675,056 |
| 2013 | 5,049,132 | 1,901,457 | 38% | 13,822,731 |

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) - Projected 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, 2010 | \$ - | \$ 42,269,472 | \$ 42,269,472 | 0% | \$ 182,294,011 | 23% |

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. Since this is the first year of implementation, only the current year information is presented.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Actuarial Methods and Assumptions

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

In the July 1, 2010, actuarial valuation, the projected unit credit method was used. Currently, the District does not set aside assets in an irrevocable employee benefit trust. The actuarial assumptions included a five percent discount rate based on employer assets that are not restricted for other purposes and are expected to be used to finance benefits payments. Healthcare cost trend rates ranged from an initial eight percent to an ultimate rate of five percent. The cost trend rate used for the Dental and Vision programs was four percent. The UAAL is being amortized at a level dollar open period method. The remaining amortization period at June 30, 2013, was 25 years.

NOTE 12 - RISK MANAGEMENT – CLAIMS

Description

The Anaheim Union High School District's risk management activities are recorded in the General, Health and Welfare, and the Workers' Compensation Funds. The purpose of the Self-Insurance Funds is to administer retiree and employee medical, dental, vision, and workers' compensation programs of the Anaheim Union High School District on a cost-reimbursement basis. These funds account for the risk financing activities of the Anaheim Union High School District, but do not constitute a transfer of risk for the Anaheim Union High School District. As of 1997-1998, the District has purchased an insurance policy for workers' compensation and is fully insured. Unpaid claims liability relate to the period prior to 1997-1998.

The District participates in the Southern California Regional Liability Excess Fund for property and liability coverage. Excess property and liability coverage is obtained through Schools Excess Liability Fund. Refer to Note 15 for additional information regarding the JPA's.

Claims Liabilities

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.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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, 2011 to June 30, 2013 (in thousands):

| | Workers' Compensation | Health and Welfare | Total |
|---|--------------------------|-----------------------|------------------|
| Liability Balance, July 1, 2011 | \$ 550 | \$ 3,982 | \$ 4,532 |
| Claims and changes in estimates | (103) | 26,557 | 26,454 |
| Claims payments | (70) | (26,859) | (26,929) |
| Liability Balance, June 30, 2012 | 377 | 3,680 | 4,057 |
| Claims and changes in estimates | (130) | (20,983) | (21,113) |
| Claims payments | 74 | 20,258 | 20,332 |
| Liability Balance, June 30, 2013 | <u>\$ 321</u> | <u>\$ 2,955</u> | <u>\$ 3,276</u> |
| Assets available to pay claims at June 30, 2013 | <u>\$ 1,532</u> | <u>\$ 25,476</u> | <u>\$ 27,008</u> |

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California 95605.

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 2012-2013 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, 2013, 2012, and 2011, were \$10,933,016, \$11,108,199, and \$10,893,422, respectively, and equal 100 percent of the required contributions for each year.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

CalPERS

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-2013 was 11.417 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, 2013, 2012, and 2011, were \$5,682,538, \$5,525,821, and \$5,224,682, respectively.

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to the pension plan.

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 \$6,833,823 (5.176 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*.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 14 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2013, the District had the following commitments with respect to the unfinished capital projects.

| <u>Capital Projects</u> | <u>Remaining Construction Commitment</u> | <u>Expected Date of Completion</u> |
|---|--|--|
| Site Work Improvement and Bike Rack at Anaheim High | \$ 173,000 | 8/19/13 |
| Gymnasium Lighting Retrofit | 199,900 | 8/24/13 |
| Painting at Savanna High School | 106,435 | 8/26/13 |
| Katella High School | 245,000 | 8/26/13 |
| Paving Improvement at South Junior High School | 627,749 | 8/26/13 |
| District-wide Paving Improvement | 496,231 | 9/9/13 |
| Lighting and Low Voltage Upgrade at Oxford Academy | 258,000 | 9/1/13 |
| | <u>\$ 2,106,315</u> | |

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, 2013.

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, 2013.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 15 - PARTICIPATION IN JOINT POWERS AGENCIES AND PUBLIC ENTITY RISK POOLS

The District is a member of the North Orange County Regional Occupational Program (NOCROP) and the Schools Excess Liability Fund (SELF), and California State Association of Counties Excess Liability Authority (CSAC) public entity risk pools. The District pays an annual premium to each entity for its health and property/liability coverage, and education services. 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 available from the respective entities.

The District has appointed one board member to the governing board of NOCROP, SELF, and CSAC.

During the year-ended June 30, 2013, the District made payments of \$10,780,781, \$112,440, and \$464,552 to NOCROP, SELF, and CSAC, respectively, for services rendered and pass-through funds.

REQUIRED SUPPLEMENTARY INFORMATION

ANAHEIM UNION HIGH SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR-ENDED JUNE 30, 2013**

| | Budgeted Amounts | | Actual (GAAP Basis) | Variances - |
|--|-------------------------|----------------------|--------------------------------|--------------------------------|
| | Original | Final | | Positive (Negative) |
| | | | | Final to Actual |
| REVENUES | | | | |
| Revenue limit sources | \$ 190,734,434 | \$ 190,685,192 | \$ 190,685,191 | \$ (1) |
| Federal sources | 15,463,500 | 18,926,766 | 16,823,482 | (2,103,284) |
| Other State sources | 61,824,933 | 64,934,862 | 71,962,253 | 7,027,391 |
| Other local sources | 3,341,811 | 3,519,523 | 3,106,642 | (412,881) |
| Total Revenues ¹ | 271,364,678 | 278,066,343 | 282,577,568 | 4,511,225 |
| EXPENDITURES | | | | |
| Current | | | | |
| Certificated salaries | 134,823,506 | 134,293,173 | 134,725,680 | (432,507) |
| Classified salaries | 42,347,222 | 44,481,243 | 44,368,611 | 112,632 |
| Employee benefits | 63,111,776 | 63,578,375 | 70,070,688 | (6,492,313) |
| Books and supplies | 17,689,328 | 10,073,215 | 7,430,860 | 2,642,355 |
| Services and operating expenditures | 23,024,171 | 19,805,954 | 19,411,773 | 394,181 |
| Capital Outlay | 656,453 | 1,028,417 | 1,005,561 | 22,856 |
| Other outgo | 11,290,025 | 12,225,986 | 12,217,829 | 8,157 |
| Total Expenditures ¹ | 292,942,481 | 285,486,363 | 289,231,002 | (3,744,639) |
| NET CHANGE IN FUND BALANCE | (21,577,803) | (7,420,020) | (6,653,434) | 766,586 |
| Fund Balance - Beginning | 34,063,741 | 34,063,741 | 34,063,741 | - |
| Fund Balance - Ending | \$ 12,485,938 | \$ 26,643,721 | \$ 27,410,307 | \$ 766,586 |

¹ On behalf payments of \$6,833,823 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts, as they are not required to be budgeted.

ANAHEIM UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 FUNDING PROGRESS
 FOR THE YEAR-ENDED JUNE 30, 2013**

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Accrued Liability (AAL) - Projected 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, 2008 | \$ - | \$ 34,666,336 | \$ 34,666,336 | 0% | \$ 189,507,993 | 18% |
| July 1, 2010 | - | 42,269,472 | 42,269,472 | 0% | 182,294,011 | 23% |

SUPPLEMENTARY INFORMATION

ANAHEIM UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR-ENDED JUNE 30, 2013**

| Federal Grantor/Pass-Through Grantor/Program | CFDA Number | Pass-Through Entity Identifying Number | Program Expenditures |
|--|----------------|---|-------------------------|
| U.S. DEPARTMENT OF EDUCATION | | | |
| Fund for the Improvement of Education | 84.215F | [1] | \$ 496,826 |
| Passed through California Department of Education (CDE): | | | |
| Title I - Part A, Grants to Local Educational Agencies | 84.010 | 14981 | 6,873,606 |
| Title I - Part A, Program Improvement LEA Corrective Action | 84.010 | 14955 | 144,647 |
| Title I - Part G, Advanced Placement Test Fee Program | 84.330 | 14831 | 42,090 |
| Title II - Part A, Improving Teacher Quality | 84.367 | 14341 | 868,602 |
| Title III - Limited English Proficiency | 84.365 | 14346 | 554,643 |
| Carl D. Perkins Vocational and Technical Education: | | | |
| Vocational and Applied Technology - Secondary | 84.048 | 14894 | 543,043 |
| Special Education (IDEA) Cluster: | | | |
| Basic Local Assistance Entitlement, Part B, Section 611 | 84.027 | 13379 | 5,644,275 |
| IDEA Local Assistance, Part B, Section 611 Private School | 84.027 | 10115 | 1,780 |
| IDEA Mental Health Allocation Plan, Part B, Section 611 | 84.027A | 14468 | 179,664 |
| Total Special Education (IDEA) Cluster | | | <u>5,825,719</u> |
| Passed through California Department of Rehabilitation: | | | |
| Workability II, Transition Partnership | 84.158 | 10006 | 54,093 |
| Total U.S. Department of Education | | | <u>15,403,269</u> |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| Passed through CDE: | | | |
| Child Nutrition Cluster: | | | |
| National School Lunch Program | 10.555 | 13391 | 13,614,394 |
| Especially Needy Breakfast | 10.553 | 13390 | 3,500,471 |
| Meal Supplements | 10.556 | 13392 | 443,226 |
| Food Distribution | 10.555 | 13391 | 1,197,919 |
| Total Child Nutrition Cluster | | | <u>18,756,010</u> |
| Total U.S. Department of Agriculture | | | <u>18,756,010</u> |

[1] - Direct Award

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR-ENDED JUNE 30, 2013**

| Federal Grantor/Pass-Through Grantor/Program | CFDA Number | Pass-Through Entity Identifying Number | Program Expenditures |
|--|----------------|---|-------------------------|
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| Passed through the California Department of Health and Human Services: | | | |
| Medi-Cal Cluster: | | | |
| Medi-Cal Administrative Activities | 93.778 | 10060 | \$ 302,340 |
| LEA Medi-Cal Billing Option | 93.778 | 10013 | <u>570,555</u> |
| Total U.S. Department of Health and Human Services | | | <u>872,895</u> |
| DEPARTMENT OF DEFENSE | | | |
| Passed through the Orange County Department of Education: | | | |
| Junior Reserve Officers Training Corps - Army | 12.000 | [2] | <u>433,131</u> |
| Total U.S. Department of Defense | | | <u>433,131</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 35,465,305</u> |

[2] – Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2013

ORGANIZATION

The Anaheim Union High School District was established in 1898, and consists of an area comprising approximately 46 square miles. The District operates eight high schools, one continuation high school, eight junior high schools, one 7-12 academy, one special education facility, a community day school, and an independent study program. There were no boundary changes during the year.

GOVERNING BOARD

| <u>MEMBER</u> | <u>OFFICE</u> | <u>TERM EXPIRES</u> |
|------------------------|-----------------|---------------------|
| Brian O' Neal | President | 2016 |
| Annemarie Randle-Trejo | Clerk | 2014 |
| Anna L. Piercy | Assistant Clerk | 2014 |
| Al Jabbar | Member | 2014 |
| Katherine H. Smith | Member | 2016 |

ADMINISTRATION

| | |
|----------------------------|--|
| Elizabeth I. Novack, Ph.D. | Superintendent |
| Dianne Poore | Assistant Superintendent, Business Services |
| Paul Sevillano, Ed.D. | Assistant Superintendent, Educational Services |
| Russell Lee-Sung | Assistant Superintendent, Human Resources |

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR-ENDED JUNE 30, 2013

| | Final Report | |
|------------------------|-------------------------|------------------|
| | Second Period Report | Annual Report |
| ELEMENTARY | | |
| Seventh and eighth | 9,709 | 9,697 |
| Home and hospital | 4 | 5 |
| Special education | 358 | 356 |
| Community day | 13 | 19 |
| Total Elementary | <u>10,084</u> | <u>10,077</u> |
| SECONDARY | | |
| Regular classes | 18,813 | 18,697 |
| Continuation education | 567 | 544 |
| Home and hospital | 11 | 11 |
| Special education | 1,046 | 1,034 |
| Community day | 37 | 38 |
| Total Secondary | <u>20,474</u> | <u>20,324</u> |
| Total K-12 | <u>30,558</u> | <u>30,401</u> |

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR-ENDED JUNE 30, 2013**

| Grade Level | 1982-83 | Reduced | 1986-87 | Reduced | 2012-13 | Number of Days | | Status |
|---------------|---------|---------|-------------|-------------|---------|----------------|------------|----------|
| | Actual | 1982-83 | Minutes | 1986-87 | Actual | Traditional | Multitrack | |
| | Minutes | Actual | Requirement | Requirement | Minutes | Calendar | Calendar | |
| Grades 7 - 8 | 61,182 | 59,483 | 54,000 | 52,500 | | | | |
| Grade 7 | | | | | 60,250 | 179 | - | Complied |
| Grade 8 | | | | | 60,250 | 179 | - | Complied |
| Grades 9 - 12 | 59,708 | 58,049 | 64,800 | 63,000 | | | | |
| Grade 9 | | | | | 63,738 | 179 | - | Complied |
| Grade 10 | | | | | 63,738 | 179 | - | Complied |
| Grade 11 | | | | | 63,738 | 179 | - | Complied |
| Grade 12 | | | | | 63,738 | 179 | - | Complied |

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2013**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2013.

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR-ENDED JUNE 30, 2013**

| | (Budget) 2014 ¹ | 2013 | 2012 | 2011 |
|--|-------------------------------|-----------------------|-----------------------|-----------------------|
| GENERAL FUND | | | | |
| Revenues | \$ 286,715,722 | \$ 282,577,568 | \$ 290,342,296 | \$ 300,942,450 |
| Other sources and transfers in | - | - | - | 271,879 |
| Total Revenues and Other Sources | 286,715,722 | 282,577,568 | 290,342,296 | 301,214,329 |
| Expenditures | (302,076,642) | (289,231,002) | (296,227,541) | (302,322,722) |
| Other uses and transfers out | - | - | (700,000) | (700,000) |
| Total Expenditures and Other Uses | (302,076,642) | (289,231,002) | (296,927,541) | (303,022,722) |
| INCREASE (DECREASE) IN FUND BALANCE | \$ (15,360,920) | \$ (6,653,434) | \$ (6,585,245) | \$ (1,808,393) |
| ENDING FUND BALANCE | \$ 12,049,387 | \$ 27,410,307 | \$ 34,063,741 | \$ 40,648,986 |
| AVAILABLE RESERVES² | \$ 11,194,385 | \$ 9,592,136 | \$ 11,920,646 | \$ 20,017,802 |
| AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO³ | 3.71% | 3.40% | 4.11% | 6.73% |
| LONG-TERM OBLIGATIONS | N/A | \$ 168,553,812 | \$ 168,638,299 | \$ 172,708,799 |
| K-12 AVERAGE DAILY ATTENDANCE AT P-2 | 30,348 | 30,558 | 31,051 | 31,532 |

The General Fund balance has decreased by \$13,238,679 over the past two years. The fiscal year 2013-2014 budget projects a further decrease of \$15,360,920 (56 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 all of the past three years and anticipates incurring an operating deficit during the 2013-2014 fiscal year. Total long-term obligations have decreased by \$4,154,987 over the past two years.

Average daily attendance has decreased by 974 over the past two years. Additional decline of 210 ADA is anticipated during fiscal year 2013-2014.

¹ Budget 2014 is included for analytical purposes only and has not been subjected to audit.

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

³ On behalf payments have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2013, 2012, and 2011, respectively.

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013**

| | <u>Cafeteria Fund</u> | <u>County School Facilities Fund</u> | <u>Special Reserve Fund for Capital Outlay Projects</u> |
|--|---------------------------|--|---|
| ASSETS | | | |
| Deposits and investments | \$ 8,329,838 | \$ 364,329 | \$ 3,765,166 |
| Receivables | 3,354,379 | 93 | - |
| Stores inventories | 123,586 | - | - |
| Total Assets | <u>\$ 11,807,803</u> | <u>\$ 364,422</u> | <u>\$ 3,765,166</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 531,469 | \$ 1,241 | \$ - |
| Due to other funds | 2,176,199 | - | - |
| Deferred revenue | 21,866 | - | - |
| Total Liabilities | <u>2,729,534</u> | <u>1,241</u> | <u>-</u> |
| Fund Balances: | | | |
| Nonspendable | 123,586 | - | - |
| Restricted | 8,954,683 | 363,181 | - |
| Assigned | - | - | 3,765,166 |
| Total Fund Balances | <u>9,078,269</u> | <u>363,181</u> | <u>3,765,166</u> |
| Total Liabilities and Fund Balances | <u>\$ 11,807,803</u> | <u>\$ 364,422</u> | <u>\$ 3,765,166</u> |

See accompanying note to supplementary information.

| Bond Interest and Redemption Fund | Total Non-Major Governmental Funds |
|--|---|
| \$ 7,874,656 | \$ 20,333,989 |
| - | 3,354,472 |
| - | 123,586 |
| <u>\$ 7,874,656</u> | <u>\$ 23,812,047</u> |
| | |
| \$ - | \$ 532,710 |
| - | 2,176,199 |
| - | 21,866 |
| <u>-</u> | <u>2,730,775</u> |
| | |
| - | 123,586 |
| 7,874,656 | 17,192,520 |
| - | 3,765,166 |
| <u>7,874,656</u> | <u>21,081,272</u> |
| | |
| <u>\$ 7,874,656</u> | <u>\$ 23,812,047</u> |

ANAHEIM UNION HIGH SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR-ENDED JUNE 30, 2013**

| | Cafeteria Fund | County School Facilities Fund | Special Reserve Fund for Capital Outlay Projects |
|---|---------------------------|--|---|
| REVENUES | | | |
| Federal sources | \$ 18,756,010 | \$ - | \$ - |
| Other State sources | 1,455,058 | - | - |
| Other local sources | 3,219,554 | 1,172 | 51,365 |
| Total Revenues | 23,430,622 | 1,172 | 51,365 |
| EXPENDITURES | | | |
| Current | | | |
| Pupil services: | | | |
| Food services | 21,791,872 | - | - |
| Plant services | 507,677 | - | 7,500 |
| Facility acquisition and construction | 396,325 | 98,409 | (32,570) |
| Debt service | | | |
| Principal | - | - | - |
| Interest and other | - | - | - |
| Total Expenditures | 22,695,874 | 98,409 | (25,070) |
| Excess (Deficiency) of Revenues | | | |
| Over Expenditures | | | |
| | 734,748 | (97,237) | 76,435 |
| OTHER FINANCING USES | | | |
| Other sources - proceeds of refunding bonds | - | - | - |
| Transfers out | - | - | (1,163,358) |
| Other uses - payment to refunded bond escrow agent | - | - | - |
| Net Financing Sources (Uses) | - | - | (1,163,358) |
| NET CHANGE IN FUND BALANCES | | | |
| | 734,748 | (97,237) | (1,086,923) |
| Fund Balances - Beginning | 8,343,521 | 460,418 | 4,852,089 |
| Fund Balances - Ending | \$ 9,078,269 | \$ 363,181 | \$ 3,765,166 |

See accompanying note to supplementary information.

| Bond Interest and Redemption Fund | Total Non-Major Governmental Funds |
|--|---|
| \$ - | \$ 18,756,010 |
| 82,628 | 1,537,686 |
| 9,812,284 | 13,084,375 |
| <u>9,894,912</u> | <u>33,378,071</u> |
| - | 21,791,872 |
| - | 515,177 |
| - | 462,164 |
| 4,130,000 | 4,130,000 |
| <u>4,913,536</u> | <u>4,913,536</u> |
| <u>9,043,536</u> | <u>31,812,749</u> |
| <u>851,376</u> | <u>1,565,322</u> |
| 23,326,386 | 23,326,386 |
| - | (1,163,358) |
| <u>(22,994,429)</u> | <u>(22,994,429)</u> |
| <u>331,957</u> | <u>(831,401)</u> |
| 1,183,333 | 733,921 |
| <u>6,691,323</u> | <u>20,347,351</u> |
| <u>\$ 7,874,656</u> | <u>\$ 21,081,272</u> |

ANAHEIM UNION HIGH SCHOOL DISTRICT

**GENERAL FUND SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR-ENDED JUNE 30, 2013**

(Dollar amounts in thousands)

| | Actual Results for the Years | | | | | |
|---|------------------------------|--------------------|------------------|--------------------|------------------|--------------------|
| | 2012-2013 | | 2011-2012 | | 2010-2011 | |
| | Amount | Percent of Revenue | Amount | Percent of Revenue | Amount | Percent of Revenue |
| REVENUES | | | | | | |
| Federal revenue | \$ 16,824 | 6.0 | \$ 24,152 | 8.3 | \$ 20,823 | 6.9 |
| State and local revenue included in revenue limit | 190,685 | 67.5 | 192,548 | 66.4 | 193,080 | 64.1 |
| Other State revenue | 71,962 | 25.4 | 70,380 | 24.2 | 82,639 | 27.5 |
| Other local revenue | 3,107 | 1.1 | 3,262 | 1.1 | 4,400 | 1.5 |
| Total Revenues | <u>282,578</u> | <u>100.0</u> | <u>290,342</u> | <u>100.0</u> | <u>300,942</u> | <u>100.0</u> |
| EXPENDITURES | | | | | | |
| Salaries and Benefits | | | | | | |
| Certificated salaries | 134,726 | 47.7 | 136,716 | 47.1 | 134,034 | 44.5 |
| Classified salaries | 44,369 | 15.7 | 45,110 | 15.5 | 43,674 | 14.5 |
| Employee benefits | 70,071 | 24.8 | 75,401 | 26.0 | 73,401 | 24.4 |
| Total Salaries and Benefits | 249,166 | 88.2 | 257,227 | 88.6 | 251,109 | 83.4 |
| Books and supplies | 7,431 | 2.6 | 7,050 | 2.4 | 7,505 | 2.5 |
| Contracts and operating expenses | 19,412 | 6.9 | 19,197 | 6.6 | 17,570 | 5.8 |
| Capital outlay | 1,005 | 0.4 | 915 | 0.3 | 417 | 0.2 |
| Other outgoing | 12,218 | 4.3 | 11,838 | 4.1 | 25,721 | 8.6 |
| Total Expenditures | <u>289,232</u> | <u>102.4</u> | <u>296,227</u> | <u>102.0</u> | <u>302,322</u> | <u>100.5</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(6,654)</u> | <u>(2.4)</u> | <u>(5,885)</u> | <u>(2.0)</u> | <u>(1,380)</u> | <u>(0.5)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | - | - | - | 272 | 0.1 |
| Transfers out | - | - | (700) | (0.3) | (700) | (0.2) |
| Total Other Financing Sources (Uses) | - | - | (700) | (0.3) | (428) | (0.1) |
| DECREASE IN FUND BALANCE | <u>(6,654)</u> | <u>(2.4)</u> | <u>(6,585)</u> | <u>(2.3)</u> | <u>(1,808)</u> | <u>(0.6)</u> |
| FUND BALANCE, BEGINNING | <u>34,064</u> | | <u>40,649</u> | | <u>42,457</u> | |
| FUND BALANCE, ENDING | <u>\$ 27,410</u> | | <u>\$ 34,064</u> | | <u>\$ 40,649</u> | |
| ENDING FUND BALANCE TO TOTAL REVENUE | | <u>9.7</u> | | <u>11.7</u> | | <u>13.5</u> |

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

**CAFETERIA ACCOUNT SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR-ENDED JUNE 30, 2013**

(Dollar amounts in thousands)

| | Actual Results for the Years | | | | | |
|---------------------------------------|------------------------------|--------------------|-----------------|--------------------|-----------------|--------------------|
| | 2012-2013 | | 2011-2012 | | 2010-2011 | |
| | Amount | Percent of Revenue | Amount | Percent of Revenue | Amount | Percent of Revenue |
| REVENUES | | | | | | |
| Federal | \$ 18,756 | 80.1 | \$ 18,473 | 78.6 | \$ 17,839 | 77.3 |
| State meal program | 1,455 | 6.2 | 1,504 | 6.4 | 1,466 | 6.4 |
| Food sales | 2,886 | 12.3 | 3,319 | 14.1 | 3,626 | 15.7 |
| Other | 333 | 1.4 | 198 | 0.9 | 138 | 0.6 |
| Total Revenues | <u>23,430</u> | <u>100.0</u> | <u>23,494</u> | <u>100.0</u> | <u>23,069</u> | <u>100.0</u> |
| EXPENDITURES | | | | | | |
| Salaries and employee benefits | 11,108 | 47.4 | 10,984 | 46.8 | 10,594 | 45.9 |
| Food | 9,757 | 41.7 | 9,818 | 41.8 | 9,566 | 41.5 |
| Other | 1,831 | 7.8 | 2,170 | 9.2 | 1,401 | 6.1 |
| Total Expenditures | <u>22,696</u> | <u>96.9</u> | <u>22,972</u> | <u>97.8</u> | <u>21,561</u> | <u>93.5</u> |
| INCREASE IN FUND BALANCE | 734 | 3.1 | 522 | 2.2 | 1,508 | 6.5 |
| FUND BALANCE, BEGINNING | <u>8,344</u> | <u>35.6</u> | <u>7,822</u> | <u>33.3</u> | <u>6,314</u> | <u>27.4</u> |
| FUND BALANCE, ENDING | <u>\$ 9,078</u> | | <u>\$ 8,344</u> | | <u>\$ 7,822</u> | |
| ENDING FUND BALANCE TO TOTAL REVENUES | | <u>38.7</u> | | <u>35.5</u> | | <u>33.9</u> |

* * * * *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

| | 2012-2013 | | 2011-2012 | | 2010-2011 | |
|-------------------------|------------------|--------------|------------------|--------------|------------------|--------------|
| | Amount | Percent | Amount | Percent | Amount | Percent |
| TYPE 'A' LUNCHES | | | | | | |
| Paid | 332,014 | 6.6 | 506,230 | 9.4 | 567,212 | 10.5 |
| Reduced price | 707,625 | 14.1 | 754,093 | 13.9 | 709,520 | 13.2 |
| Free | 3,995,512 | 79.3 | 4,148,335 | 76.7 | 4,106,368 | 76.3 |
| Total Lunches | <u>5,035,151</u> | <u>100.0</u> | <u>5,408,658</u> | <u>100.0</u> | <u>5,383,100</u> | <u>100.0</u> |
| BREAKFAST | | | | | | |
| Paid | 51,334 | 2.6 | 55,014 | 2.7 | 53,427 | 2.7 |
| Reduced price | 253,791 | 12.8 | 262,384 | 13.1 | 249,460 | 12.5 |
| Free | 1,672,019 | 84.6 | 1,685,188 | 84.2 | 1,686,032 | 84.8 |
| Total Breakfast | <u>1,977,144</u> | <u>100.0</u> | <u>2,002,586</u> | <u>100.0</u> | <u>1,988,919</u> | <u>100.0</u> |

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2013

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 of Medi-Cal Billing Option funds have been recorded in the current period as revenues that have not been expended as of June 30, 2013. These unspent balances are reported as legally restricted ending balances within the General Fund.

| | <u>CFDA Number</u> | <u>Amount</u> |
|---|------------------------|-----------------------------|
| Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances: | | \$ 35,579,492 |
| Medi-Cal Billing Option | 93.778 | <u>(114,187)</u> |
| Total Schedule of Expenditures of Federal Awards | | <u><u>\$ 35,465,305</u></u> |

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

Average daily attendance 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.

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.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2013

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.

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.

Cafeteria Account Selected Financial Information

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

INDEPENDENT AUDITORS' REPORTS



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

Governing Board
Anaheim Union High School District
Anaheim, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Anaheim Union High School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Anaheim Union High School District's basic financial statements, and have issued our report thereon dated December 13, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Anaheim Union High School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Anaheim Union High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Anaheim Union High School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Anaheim Union High School District's financial statements are free from 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 Anaheim Union High School District in a separate letter dated December 13, 2013.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Varrinck, Irine, Day & Co., LLP

Rancho Cucamonga, California
December 13, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Governing Board
Anaheim Union High School District
Anaheim, California

Report on Compliance for Each Major Federal Program

We have audited Anaheim Union High School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Anaheim Union High School District's (the District) major Federal programs for the year ended June 30, 2013. Anaheim Union High School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Anaheim Union High School District's major Federal programs based on our audit of the types of compliance requirements referred to above. 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 Anaheim Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Anaheim Union High School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Anaheim Union High School District complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of Anaheim Union High School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Anaheim Union High School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program 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 Anaheim Union High School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Varrinck, Irine, Day + Co., LLP

Rancho Cucamonga, California
December 13, 2013



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Anaheim Union High School District
Anaheim, California

Report on State Compliance

We have audited Anaheim Union High School District's compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2012-2013* that could have a direct and material effect on each of the Anaheim Union High School District's State government programs as noted below for the year ended June 30, 2013.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Anaheim Union High School District's State programs based on our audit of the types of compliance requirements referred to above. 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 2012-2013*. These standards 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 Anaheim Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Anaheim Union High School District's compliance with those requirements.

Unmodified Opinion on Each of the Programs

In our opinion, Anaheim Union High 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, 2013.

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

| | <u>Procedures in Audit Guide</u> | <u>Procedures Performed</u> |
|---|--------------------------------------|---------------------------------|
| Attendance Accounting: | | |
| Attendance Reporting | 6 | Yes |
| Teacher Certification and Misassignments | 3 | Yes |
| Kindergarten Continuance | 3 | Not Applicable |
| Independent Study | 23 | Yes |
| Continuation Education | 10 | Yes |
| Instructional Time: | | |
| School Districts | 6 | Yes |
| County Offices of Education | 3 | Not Applicable |
| 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 |
| Juvenile Court Schools | 8 | Not Applicable |
| Class Size Reduction Program (including in charter schools): | | |
| General Requirements | 7 | Not Applicable |
| Option One Classes | 3 | Not Applicable |
| Option Two Classes | 4 | Not Applicable |
| 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 | Not Applicable |
| Charter Schools: | | |
| Contemporaneous Records of Attendance | 1 | Not Applicable |
| Mode of Instruction | 1 | Not Applicable |
| Non Classroom-Based Instruction/Independent Study | 15 | Not Applicable |
| Determination of Funding for Non Classroom-Based Instruction | 3 | Not Applicable |
| Annual Instruction Minutes Classroom-Based | 4 | Not Applicable |

Varrinck, Irine, Day + Co., LLP

Rancho Cucamonga, California
December 13, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ANAHEIM UNION HIGH SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR-ENDED JUNE 30, 2013**

FINANCIAL STATEMENTS

| | |
|---|----------------------|
| Type of auditors' report issued: | <u>Unmodified</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>Unmodified</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 Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|-------------------------------|--|
| <u>84.010</u> | <u>Title I - Part A, Grants to Local Educational Agencies</u> |
| <u>84.010</u> | <u>Title I - Part A, Program Improvement LEA Correction Action</u> |
| <u>10.553, 10.555, 10.556</u> | <u>Child Nutrition Cluster</u> |

| | |
|--|---------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$ 1,063,959</u> |
| Auditee qualified as low-risk auditee? | <u>Yes</u> |

STATE AWARDS

| | |
|---|-------------------|
| Type of auditors' report issued on compliance for State programs: | <u>Unmodified</u> |
|---|-------------------|

ANAHEIM UNION HIGH SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR-ENDED JUNE 30, 2013**

None reported.

ANAHEIM UNION HIGH SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR-ENDED JUNE 30, 2013**

None reported.

ANAHEIM UNION HIGH SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR-ENDED JUNE 30, 2013**

None reported.

ANAHEIM UNION HIGH SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR-ENDED JUNE 30, 2013**

There were no audit findings reported in the prior year's schedule of financial statement findings.



Governing Board
Anaheim Union High School District
Anaheim, California

In planning and performing our audit of the basic financial statements of Anaheim Union High School District for the year-ending June 30, 2013, we considered its internal control structure in order to determine our 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 13, 2013, on the basic financial statements of the Anaheim Union High School District.

ASSOCIATED STUDENT BODY (ASB)

Cypress High School

Observations

Revenue potential forms tested were not completed. In addition, we noted the fundraisers the revenue forms were created for were not approved in the ASB minutes.

Recommendations

Revenue potential forms are vital internal control tool and should be used to document revenues, expenditures, potential revenue, and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fund-raising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due and so forth. The site administrator should also ensure that the fundraisers are properly approved by the ASB council in the minutes prior to the start of the event.

Lexington Junior High School

Observations

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

1. Ten of 24 deposits are not made in a timely manner.
2. One of 14 disbursements reviewed did not have the three required signatures of approval.
3. One of 14 disbursements reviewed did not have receiving documentation to ensure the site received the goods or services.

Recommendations

1. 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 communicate guidelines for such a procedure including the maximum cash on hand that should be maintained at the site. In addition, the site should ensure that year-end closeout procedures include depositing all remaining cash on hand before leaving for the summer. Furthermore, in instances of system malfunction, adequate supporting documentation should be maintained to properly account for all activity. Documentation may include such items as original and revised financial statements, system vendor communication, etc.
2. 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, one being a student representative, are required pursuant to California *Educational Code* Section 48933(5)(b) on all disbursements from a student body account and that documents supporting a disbursement should be kept in organized files with the student body bookkeeper so that they can be easily reviewed should the need arise.
3. All expenditures should indicate whether the items purchases 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.

Kennedy High School

Observations

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

1. Two purchase orders were made prior to the approval of the requisition form.
2. One cash disbursement had expenditure over the maximum amount authorized by approved requisition form.
3. Twelve outstanding checks were dated from October 2011.

Recommendations

1. Purchase orders should be made after it has been verified that the student council has approved the expenditure and the requisition form has the appropriate signatures of approval. This ensures that purchase orders are not inappropriately made for non approved expenditures.
2. Expenditures should not exceed approved amount because ASB may not have sufficient funding to pay for the expenditure.
3. As a good business practice, outstanding checks should be cleared within 6 months. If they are not, procedures should be in place to investigate the outstanding checks. This will improve reconciliation and accuracy of funds.

Oxford Academy

Observations

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

1. Nine purchase orders were made prior to the approval of the requisition form.
2. One expenditure was made prior to the approval of the requisition form.
3. Five of the cash disbursements were approved without a "not to exceed" amount stated.
4. Seven outstanding checks were dated from September 2007.
5. Twelve cash deposits were untimely.
6. Two checks that were manually written in August 2012, have not been appropriately recorded to the club's account.
7. Fundraisers are not being approved in the ASB minutes.

Recommendations

1. Purchase orders should be made after it has been verified that the student council has approved the expenditure and the requisition form has the appropriate signatures of approval. This ensures that purchase orders are not inappropriately made for non approved expenditures.
2. 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 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.
3. Purchase requisitions should have a stated "not to exceed" amount. This ensures that the club/team has enough funds to pay for the expenditures.
4. As a good business practice, outstanding checks should be cleared within 6 months. If they are not, procedures should be in place to investigate the outstanding checks. This will improve reconciliation and accuracy of funds.
5. Deposits should be taken to the bank in a timely manner of under 10 days. This will ensure that the money is safe.
6. Manual checks should be input into the accounting system when written. This will ensure that the financials are appropriately stating the financials.
7. Fundraisers should be approved in the ASB minutes. This will ensure that no two clubs are selling the same products, or at the same time. They also can be certain that the clubs are in compliance with the laws of ASB.

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

Varrinck, Irine, Day + Co., LLP

Rancho Cucamonga, California
December 13, 2013