

ANAHEIM UNION HIGH SCHOOL DISTRICT

**2002 ELECTION
GENERAL OBLIGATION BONDS
FINANCIAL AND PERFORMANCE AUDITS
JUNE 30, 2003**

ANAHEIM UNION HIGH SCHOOL DISTRICT

GENERAL OBLIGATION BONDS

FINANCIAL AUDIT

JUNE 30, 2003

ANAHEIM UNION HIGH SCHOOL DISTRICT

**BUILDING FUND
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JUNE 30, 2003**

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Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants & Consultants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Governing Board
Anaheim Union High School District
Anaheim, California

We have audited the accompanying financial statements of the Building Fund of the Anaheim Union High School District, as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Building Fund and are not intended to present fairly the financial position and results of operations of the Anaheim Union High School District in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Building Fund of the Anaheim Union High School District at June 30, 2003, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
July 23, 2003

ANAHEIM UNION HIGH SCHOOL DISTRICT

BUILDING FUND BALANCE SHEET JUNE 30, 2003

ASSETS

Cash	\$	5,000
Investments		81,226,343
Accounts receivable		85,661
Total Assets	\$	<u>81,317,004</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable		<u>2,118,662</u>
Total Liabilities		<u>2,118,662</u>

FUND EQUITY

Fund balances		
Unreserved		
Undesignated		<u>79,198,342</u>
Total Fund Equity		<u>79,198,342</u>
Total Liabilities and Fund Equity	\$	<u>81,317,004</u>

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

**BUILDING FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2003**

REVENUES

Local income	
Interest income	\$ 1,372,455
Other income	107
Total Revenues	<u>1,372,562</u>

EXPENDITURES

Supplies	
Equipment - Non-capitalized	170,145
Other supplies	3,950
Services and operating expenditures	
Repairs	56,902
Profession/consulting services	62,485
Interest expense	115,608
Other operating expenditures	363
Capital outlay	
Site construction	700,532
Architects	6,364,030
Plan checks - DSA	684,038
Building improvements	1,918,942
Construction management	2,818,564
Equipment - Capitalized	1,331,368
Total Expenditures	<u>14,226,927</u>

EXCESS OF REVENUES UNDER EXPENDITURES (12,854,365)

FUND BALANCE, BEGINNING OF YEAR 92,052,707
FUND BALANCE, END OF PERIOD \$ 79,198,342

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

BUILDING FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Interest income	\$ 1,403,000	\$ 1,372,455	\$ (30,545)
Other income	-	107	107
Total Revenues	<u>1,403,000</u>	<u>1,372,562</u>	<u>(30,438)</u>
EXPENDITURES			
Supplies			
Equipment - non-capitalized	222,000	170,145	51,855
Other supplies	-	3,950	(3,950)
Services and operating expenditures			
Repairs	177,680	56,902	120,778
Profession/consulting services	148,000	62,485	85,515
Interest expense	110,000	115,608	(5,608)
Other operating expenditures	-	363	(363)
Capital outlay			
Site construction	-	700,532	(700,532)
Architects	14,204,000	6,364,030	7,839,970
Plan checks - DSA	242,000	684,038	(442,038)
Building improvements	822,275	1,918,942	(1,096,667)
Construction management	13,294,000	2,818,564	10,475,436
Equipment - capitalized	1,435,700	1,331,368	104,332
Total Expenditures	<u>30,655,655</u>	<u>14,226,927</u>	<u>16,428,728</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(29,252,655)	(12,854,365)	16,398,290
OTHER FINANCING SOURCES/(USES)			
Other uses	594,146	-	(594,146)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(28,658,509)	(12,854,365)	15,804,144
FUND BALANCE, BEGINNING OF YEAR	92,052,707	92,052,707	-
FUND BALANCE, END OF PERIOD	<u>\$ 63,394,198</u>	<u>\$ 79,198,342</u>	<u>\$ 15,804,144</u>

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Anaheim Union High School District Building Fund conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The Anaheim Union High School District Building Fund accounts for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

A. Financial Reporting Entity

The financial statements include only the Building Fund of the Anaheim Union High School District. This Fund was established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2002. These financial statements are not intended to present fairly the financial position and results of operations of the Anaheim Union High School District in compliance with accounting principles generally accepted in the United States of America.

B. Fund Accounting

The operations of the Building Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance (or retained earnings), revenues, and expenditures (or expenses). Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

C. Basis of Accounting

The Building Fund is 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.

D. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with state law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. It is this final revised budget that is presented in these financial statements. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

E. Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

F. Fund Balance Reserves and Designations

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

G. 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 for the District. The District recognizes tax revenues when received.

H. Use of Estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

ANAHEIM UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE #2 – DEPOSITS AND INVESTMENTS

A. Deposits

At year-end, the carrying amounts of the Building Fund's deposits was \$5,000. The bank balances totaled \$5,000, all of which was covered by Federal deposit insurance.

B. Investments

Investments at June 30, 2003, held on behalf of the Building Fund of the Anaheim Union High School District consist of deposits in the County of Orange Treasury:

	<u>Reported Amount</u>	<u>Fair Value</u>
Deposits with county treasurer	<u>\$ 81,226,343</u>	<u>\$ 81,315,800</u>

Deposits with county treasurer is an external investment pool sponsored by the County of Orange. School districts are required to deposit all receipts and collections of monies with their county treasurer (Education Code Section 41001).

Therefore, the District is considered to be an involuntary participant in an external investments pool. County deposits are not required to be categorized. The pool sponsor provided the fair value for these deposits.

NOTE #3 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2003, consist of the following:

Interest	<u>\$ 85,661</u>
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ANAHEIM UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE #4 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2003, consists of the following:

Vendor payables	<u>\$ 2,118,662</u>
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NOTE #5 – FUND BALANCES

Fund balances are composed of the following elements:

Unreserved Undesignated	<u>\$79,198,342</u>
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NOTE #6 – GENERAL LONG-TERM DEBT

A. Long-Term Debt Summary

A schedule of changes in long-term debt for the year ended June 30, 2003, is shown below:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
General obligation bonds	<u>\$91,999,603</u>	<u>\$ 77,987</u>	<u>\$ -</u>	<u>\$92,077,590</u>

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

B. General Obligation Bonds

On June 6, 2002, the District issued \$91,999,603.10 Anaheim Union High School District, Election of 2002 Series A General Obligation Bonds. This issue is part of a \$132,000,000 authorization, as approved pursuant to an election of District voters on March 5, 2002. The current issue bonds' interest is payable February 1 and August 1, commencing February 1, 2003.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2002	Accreted Interest Addition	Bonds Outstanding June 30, 2003
6/6/02	8/1/26	3.00%-5.7%	\$ 91,999,603	\$ 91,999,603	\$ 77,987	\$ 92,077,590

The general obligation bonds mature through 2027 as follows:

Fiscal Year	Principal Including Interest	Accreted Interest to Date	Current Interest to Maturity	Total
2004	\$ 1,665,000	\$ -	\$ 4,271,375	\$ 5,936,375
2005	1,550,000	-	4,223,150	5,773,150
2006	1,745,000	-	4,171,544	5,916,544
2007	1,955,000	-	4,111,419	6,066,419
2008	2,115,000	-	4,045,281	6,160,281
2009-2013	13,195,000	-	18,870,803	32,065,803
2014-2018	17,790,000	-	15,262,766	33,052,766
2019-2023	27,470,000	-	9,321,275	36,791,275
2024-2027	24,592,590	6,282,410	1,726,875	32,601,875
Total	\$ 92,077,590	\$ 6,282,410	\$ 66,004,488	\$ 164,364,488

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE #7 – COMMITMENTS AND CONTINGENCIES

As of June 30, 2003, the Building Fund had the following commitments with respect to unfinished capital projects:

CAPITAL PROJECT	Current Remaining Construction Commitment	Expected Date of Completion
Construction of new junior high Modernization at various sites	\$ 2,877,417	9/1/2006
Anaheim High	2,106,924	9/1/2005
Cypress High	1,450,602	9/1/2005
Katella High	1,598,656	9/1/2005
Kennedy High	5,256,285	9/1/2005
Loara High	1,637,137	9/1/2005
Oxford Academy	1,030,468	9/1/2005
Lexington Junior High	440,687	9/1/2005
South Junior High	868,453	9/1/2005
Sycamore Junior High	1,463,750	9/1/2005
	<u>\$ 18,730,379</u>	

These commitments include all outstanding obligations to date. The commitments do not necessarily include the full cost of completing these modernization and construction projects.

**ANAHEIM UNION HIGH
SCHOOL DISTRICT**

**2002 ELECTION
GENERAL OBLIGATION BONDS
AGREED-UPON PROCEDURES PERFORMANCE AUDIT
JUNE 30, 2003**

**ANAHEIM UNION HIGH SCHOOL DISTRICT
2002 ELECTION GENERAL OBLIGATION BONDS**

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**ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Governing Board
Anaheim Union High School District

and

The Measure Z Citizens' Oversight Committee

We have performed the agreed-upon procedures enumerated in Exhibit A, which were agreed to by Anaheim Union High School District of Orange County, solely to assist the users in identifying findings and recommendations in the areas with respect to the 2002 Election General Obligation Bonds for the period ended June 30, 2003. This engagement to perform agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants and meets the compliance requirements to perform an "audit" as outlined in subparagraph (C) of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the associated results, findings and recommendations are described in this report as Exhibits A and B, respectively.

We were not engaged to, and did not, perform an audit of all financial statements of the District, the objective of which would be the expression of an opinion relating to the matters included in the agreed-upon procedures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
July 23, 2003

**ANAHEIM UNION HIGH SCHOOL DISTRICT
2002 ELECTION GENERAL OBLIGATION BONDS
AGREED-UPON PROCEDURES
JUNE 30, 2003**

EXHIBIT A

The Anaheim Union High School District requested that the following agreed-upon procedures be performed:

- A. Obtain an understanding of the internal control over the procurement system for the Building Fund, and adherence thereof, including a review of the controls exercised over approval of change orders.
- B. Determine that the procurement procedures were in accordance with procurement laws and regulations.
- C. Review compliance with the expenditure provisions/restrictions in the 2002 Election General Obligation Bonds Initiative, including observing that administrative costs have not been charged to the fund.
- D. Observe support for the allocations of bond expenditures to the bond fund expenditure classifications (programs and objects of expenditure).
- E. Review the controls exercised over approval of change orders, including an observation that the approval of purchase orders, as amended by change orders, are approved in accordance with the District's policies and procedures and the Public Contract Code.

**ANAHEIM UNION HIGH SCHOOL DISTRICT
2002 ELECTION GENERAL OBLIGATION BONDS
FINDINGS AND RECOMMENDATIONS
JUNE 30, 2003**

EXHIBIT B

Based upon the performance of the agreed-upon procedures, as discussed in Exhibit A, the following results were noted:

Agreed-Upon Procedure (A)

Procedure

Obtained an understanding of the internal control over the procurement system for the Building Fund, including a review of the controls exercised over approval change orders.

Results

There were no exceptions noted.

Agreed-Upon Procedure (B)

Procedure

Determine that the procurement procedures were in accordance with procurement laws and regulations.

Results

There were no exceptions noted.

Agreed-Upon Procedure (C)

Procedures

Reviewed compliance with the expenditure provisions/restrictions in the ballot measure. Performed observations to determine whether administrative costs have been charged to the fund.

Results

The expenditures observed satisfactorily complied with the guidelines defined in the ballot measure dated March 5, 2002.

**ANAHEIM UNION HIGH SCHOOL DISTRICT
2002 ELECTION GENERAL OBLIGATION BONDS
FINDINGS AND RECOMMENDATIONS
JUNE 30, 2003**

EXHIBIT B

Agreed-Upon Procedure (D)

Procedure

Observed support for allocations of bond expenditures to the Building Fund expenditure classifications (programs and objects of expenditures).

Results

There were no exceptions noted.

Agreed-Upon Procedure (E)

Procedure

Reviewed the controls exercised over approval of change orders, including an observation that the approval of purchase orders, as amended by change orders, are approved in accordance with the District's policies and procedures and the Public Contract Code.

Result

There were no exceptions noted.

Supplementary Information

**ANAHEIM UNION HIGH SCHOOL DISTRICT
(Anaheim, California)
2002 Election General Obligation Bonds**

THE BONDS

Authority for Issuance

The Bonds were issued pursuant to the provisions of the California Education Code commencing with Section 15264 and pursuant to resolutions adopted by the Board of Education of the District on May 9, 2002. The District received authorization at an election held on March 5, 2002, by fifty-five percent of the votes cast by eligible voters within the District, to issue \$132,000,000 of general obligation bonds. The outstanding Bonds represent the first series of bonds issued under the Authorization.

Purpose of Issue

As required by the California Constitution, the proceeds from the sale of the bonds will be used only for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

PROJECTS

The District intends to complete the following projects:

Modernization Projects - Includes expanding food service/cafeteria, parking and support spaces, renovating auditoriums, roofs and exterior walls, replacing food service equipment, improving classroom interiors, and upgrading electrical, HVAC and plumbing system.

New Construction Projects - Includes constructing professional resource centers, science labs, art labs, libraries, additional permanent classrooms, student gymnasiums and permanent student shelters. In addition, a new junior high school facility will be constructed.

Health and Safety Projects - Includes modernizing alarm systems, remove hazardous materials, remove physical barriers, renovate field areas and restrooms, and upgrade playing surfaces.

Technology Projects - Includes adding technology networks and upgrading classroom technology.