ANNUAL FINANCIAL REPORT

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ANAHEIM UNION HIGH SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

ANAHEIM UNION HIGH SCHOOL DISTRICT

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
Anaheim Union High School District
Anaheim, California

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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

In accordance with *Government Auditing Standards,* we have also issued our report dated December 12, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

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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 4 through 14, and the budgetary comparison information and schedule of other post employment benefits on pages 59 and 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 12, 2012

This section of Anaheim Union High School District's (the District) June 30, 2012, annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2012, with comparative information for June 30, 2011. 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.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

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

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

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

In the *Statement of Net Assets* and the *Statement of Activities,* we 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.

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

Proprietary Funds **-** When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Assets* and the *Statement of Revenues, Expenses and Changes in Fund Net Assets*. 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 Assets*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were $212.5 million for the fiscal year-ended June 30, 2012. Of this amount, $10.5 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the governing board's ability to use those net assets for day-to-day operations. Our analysis below, in summary form, focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

(Amounts in millions)	Governmental Activities	
	2012	2011
Assets		
Current and other assets	$ 178.6	$ 162.8
Capital assets	285.0	288.1
Total Assets	**463.6**	**450.9**
Liabilities		
Current liabilities	81.5	61.0
Long-term obligations	169.6	172.7
Total Liabilities	**251.1**	**233.7**
Net Assets		
Invested in capital assets, net of related debt	137.1	136.9
Restricted	64.9	62.3
Unrestricted	10.5	18.0
Total Net Assets	**$ 212.5**	**$ 217.2**

The $10.5 million in unrestricted net assets 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.

Changes in Net Assets

The changes in net assets for this year's operations for the District as a whole are reported in the *Statement of Activities* on page 16. 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)	Governmental Activities 2012	Governmental Activities 2011
Revenues		
Program revenues:		
Charges for services	$ 4.0	$ 4.6
Operating grants and contributions	71.3	80.7
General revenues:		
Federal and State aid not restricted	178.3	175.2
Property taxes	59.7	64.2
Other general revenues	15.6	15.0
Total Revenues	**328.9**	**339.7**
Expenses		
Instruction-related	218.9	218.3
Student support services	45.9	44.1
Administration	14.6	13.4
Plant services	30.3	28.2
Other	23.9	38.2
Total Expenses	**333.6**	**342.2**
Change in Net Assets	**$ (4.7)**	**$ (2.5)**

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was $333.6 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $59.7 million because the cost was paid by those who benefited from the programs ($4.0 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($71.3 million). We paid for the remaining "public benefit" portion of our governmental activities with $190.2 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.

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	
	2012	2011	2012	2011
Instruction	$ 193.6	$ 192.7	$ 154.3	$ 154.4
Instruction-related activities	25.3	25.6	19.8	21.8
Pupil services	45.9	44.1	19.8	16.8
Administration	14.6	13.4	13.3	12.0
Plant services	30.3	28.2	28.8	27.6
Facilities acquisition and construction	0.7	-	0.7	-
Other	23.2	38.2	21.6	24.4
Total	**$ 333.6**	**$ 342.2**	**$ 258.3**	**$ 257.0**

The main reasons for the year-to-year changes in total cost of services is due to salary and supply expenditure decreases for instruction, and increases related to benefits.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $77.0 million, which is a decrease of $8.9 million from last year (Table 4).

Table 4

(Amounts in thousands)	Balances and Activity			
	June 30, 2011	Revenues	Expenditures	June 30, 2012
General Fund	$ 40.6	$ 290.3	$ 296.8	$ 34.1
Capital Facilities Fund	23.8	26.0	27.3	22.5
Cafeteria Fund	7.8	23.5	23.0	8.3
Deferred Maintenance Fund	1.0	-	1.0	-
County School Facilities Fund	0.5	0.2	0.2	0.5
Special Reserve Fund for Capital Outlay Projects	5.5	0.5	1.1	4.9
Bond Interest and Redemption Fund	6.7	8.8	8.8	6.7
Total	**$ 85.9**	**$ 349.3**	**$ 358.2**	**$ 77.0**

The primary reasons for these increases/decreases are:

1. Our General Fund is our principal operating fund. The fund balance in the General Fund decreased approximately $ 6.5 million to $34.1 million. This decrease is due primarily to an overall increase in expenditures in the operating accounts. Furlough days were reduced to one for the 2011-2012 fiscal year which increased salaries and benefits. Services and other expenses increased largely due to the Special Education Mental Health funding and related expenditures.
2. Our Deferred Maintenance Fund decreased $1 million due to funds expended for the completion of several projects. The fund is now closed.
3. Our Special Reserve Fund for Capital Outlay Projects decreased $0.6 million. The decrease to the fund was due to expenditures for the Central Kitchen COPS principal and interest payments.
4. Our Capital Facilities Fund decreased by $1.3 million due to expenditures on various projects.

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 2012. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 59.)

1. The revenue limit budget originally included a deficit factor of 19.754 percent, and as a result of mid-year cuts, the deficit factor increased to 20.62 percent. This reduction in funding resulted in a decrease of $2.6 million in revenue limit funding, which was included in the 2011-2012 ending fund balance.
2. The 2011-2012 Federal revenue includes $0.9 million in additional one-time funding of the Education Jobs Fund, Title I funding increase by $0.4 million, and Special Education Mental Health Services received $0.1 million in funding.
3. The District received $1.3 million for Special Education Mental Health Services, and additional $0.7 million in lottery funding, and $0.5 million from mandated cost reimbursement for 2009-2010 claims filed. The mandated cost reimbursement received was assigned in the components of ending fund balance due to the potential payment to the State for the funds received.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had $285 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 $3.1 million, or 1.1 percent, from last year.

Table 5

(Amounts in millions)	Governmental Activities	
	2012	2011
Land and construction in process	$ 6.6	$ 5.9
Buildings and improvements	274.5	278.1
Furniture and equipment	3.9	4.1
Total	**$ 285.0**	**$ 288.1**

This year's reduction of $3.1 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 $169.6 million in long-term obligations outstanding versus $172.7 million last year, a decrease of 3.1 percent. The long-term obligations consisted of the following:

Table 6

(Amounts in millions)	Governmental Activities	
	2012	2011
General obligation bonds (financed with property taxes)	$ 113.8	$ 117.1
Premium on issuance	4.7	5.0
Certificates of participation (net of discount)	37.6	38.9
Other postemployment benefits	10.7	7.9
Other	2.8	3.8
Total	**$ 169.6**	**$ 172.7**

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.

Other obligations include compensated absences payable and cumulative rebate liability. We present more detailed information regarding our long-term obligations in Note 8 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2011-2012 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 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 Program continues to provide on-site coaching support 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. The program plays a major role in monitoring the continued implementation of State content standards and research-proven instructional strategies.

3. To address District-level No Child Left Behind (NCLB) corrective action, the District contracted with "New Directions in New Directions for Academic Advancement", a California Department of Education (CDE) approved District Assistance and Intervention Team (DAIT) provider. DAIT provided the following services to the District: (a) conducted a needs assessment 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; (b) reported findings to District leadership team; (c) reviewed District's most current LEA plan, and revised as necessary; (d) worked with District-level staff to prepare an action plan based on DAIT standards to address District-level NCLB corrective action; (e) worked with District and school sites to implement DAIT plan; (f) monitored implementation of DAIT plan.

4. The District developed a professional development plan to address recommendations made by "New Directions in New Directions for Academic Advancement," and provided professional development to District- and site-level administration, teachers, paraprofessionals, and other school personnel. Professional development topics includes Professional Learning Communities (PLC); Response to Instruction and Intervention (RTI^2); 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 six-year plans to address successful high school completion, and to successfully transition to college and career.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Adopted Budget for the 2012-2013 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 3.24 percent.
2. Funding from Revenue Limit will be $7,705.36 per ADA. This includes a deficit of 22.272 percent.
3. Average Daily Attendance (ADA) decrease by 468.
4. Federal income was not increased or decreased other than for carryover, except Title I was decreased approximately 8 percent.
5. State lottery was budgeted at $141.75 per ADA.
6. Grants include estimated carryover from 2011-2012, and are adjusted to actual after June 30, 2012.
7. Certificated negotiations for the 2012-2013 fiscal year resulted in two furlough days. The budget was reduced by $500,000 for attrition.
8. Classified negotiations for the 2012-2013 fiscal year resulted in two furlough days. However, the American Federation of State, County, and Municipal Employees (AFSCME) Union contract was not settled. Position cuts and hour reductions were budgeted instead of furlough days. 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 9.6 percent due to premium increases.
10. Routine restricted maintenance expenditures include one 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 ASSETS
JUNE 30, 2012

	Governmental Activities
ASSETS	
Deposits and investments	$ 85,496,441
Receivables	89,710,026
Prepaid expenses	477,662
Stores inventories	500,958
Deferred cost on issuance	2,367,867
Capital assets	
Land and construction in process	6,570,543
Other capital assets	393,664,570
Less: Accumulated depreciation	(115,223,100)
Total Capital Assets	285,012,013
Total Assets	463,564,967
LIABILITIES	
Accounts payable	19,751,444
Interest payable	2,259,531
Deferred revenue	345,463
Claims liability	4,056,667
Current loans	55,000,000
Long-term obligations	
Current portion of long-term obligations	5,146,136
Noncurrent portion of long-term obligations	164,492,163
Total Long-Term Obligations	169,638,299
Total Liabilities	251,051,404
NET ASSETS	
Invested in capital assets, net of related debt	137,138,451
Restricted for:	
Debt service	11,617,448
Capital projects	9,962,825
Educational programs	14,857,678
Other activities	28,451,535
Unrestricted	10,485,626
Total Net Assets	$ 212,513,563

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, 2012

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
Functions/Programs	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Total
Governmental Activities:					
Instruction	$ 193,635,721	$ -	$ 39,340,519	$ 4,211	$ (154,290,991)
Instruction-related activities:					
Supervision of instruction	4,525,657	-	2,467,170	-	(2,058,487)
Instructional library, media and technology	2,375,420	-	587,822	-	(1,787,598)
School site administration	18,389,944	-	2,402,476	-	(15,987,468)
Pupil services:					
Home-to-school transportation	5,985,535	776,198	746,633	-	(4,462,704)
Food services	22,283,363	3,109,676	17,853,582	-	(1,320,105)
All other pupil services	17,625,460	-	3,605,016	-	(14,020,444)
General administration:					
Data processing	3,278,936	-	-	-	(3,278,936)
All other general administration	11,309,505	41,941	1,257,564	-	(10,010,000)
Plant services	30,297,196	44,818	1,436,650	-	(28,815,728)
Facility acquisition and construction	714,338	-	-	-	(714,338)
Ancillary services	4,184,200	-	725,313	-	(3,458,887)
Community services	794,432	-	70,545	-	(723,887)
Interest on long-term obligations	6,358,013	-	-	-	(6,358,013)
Other outgo	11,838,892	-	811,824	-	(11,027,068)
Total Governmental Activities	$ 333,596,612	$ 3,972,633	$ 71,305,114	$ 4,211	(258,314,654)

General revenues and subventions:	
Property taxes, levied for general purposes	48,282,903
Property taxes, levied for debt service	8,798,217
Taxes levied for other specific purposes	2,625,811
Federal and State aid not restricted to specific purposes	178,268,373
Interest and investment earnings	446,094
Transfers between agencies	1,091,173
Miscellaneous	14,107,292
Subtotal, General Revenues	253,619,863
Change in Net Assets	(4,694,791)
Net Assets - Beginning	217,208,354
Net Assets - Ending	$ 212,513,563

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012

	General Fund	Capital Facilities Fund
ASSETS		
Deposits and investments	$ 35,066,112	$ 18,545,733
Receivables	85,582,702	532,229
Due from other funds	3,606,823	3,934,864
Prepaid expenditures	407,972	-
Stores inventories	392,475	-
Total Assets	$ 125,056,084	$ 23,012,826
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	$ 17,878,734	$ 66,125
Due to other funds	17,782,449	434,294
Current loans	55,000,000	-
Deferred revenue	331,160	-
Total Liabilities	90,992,343	500,419
Fund Balances:		
Nonspendable	955,447	-
Restricted	14,857,678	22,512,407
Assigned	6,329,970	-
Unassigned	11,920,646	-
Total Fund Balances	34,063,741	22,512,407
Total Liabilities and Fund Balances	$ 125,056,084	$ 23,012,826

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

Non-Major Governmental Funds	Total Governmental Funds
$ 20,490,689	$ 74,102,534
3,541,635	89,656,566
-	7,541,687
-	407,972
108,483	500,958
$ 24,140,807	$ 172,209,717
$ 606,624	$ 18,551,483
3,172,529	21,389,272
-	55,000,000
14,303	345,463
3,793,456	95,286,218
108,483	1,063,930
15,386,779	52,756,864
4,852,089	11,182,059
-	11,920,646
20,347,351	76,923,499
$ 24,140,807	$ 172,209,717

ANAHEIM UNION HIGH SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds		**$ 76,923,499**
Amounts Reported for Governmental Activities in the Statement		
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	$ 400,235,113	
Accumulated depreciation is the following	(115,223,100)	
Net Capital Assets		285,012,013
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.		2,367,867
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.		(2,259,531)
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:		20,108,014
Long-term obligations at year-end consist of the following:		
General obligation bonds	113,791,853	
Premium on issuance, net of amortization	4,671,151	
Certificates of participation	37,631,818	
Discount on issuance, net of amortization	(29,049)	
Cumulative rebate liability	1,128,408	
Property and liability	410,000	
Accumulated vacation	1,359,062	
Other postemployment benefits	10,675,056	
Total Long-Term Obligations		(169,638,299)
Total Net Assets - Governmental Activities		**$ 212,513,563**

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, 2012

	General Fund	Capital Facilities Fund
REVENUES		
Revenue limit sources	$ 192,547,822	$ -
Federal sources	24,152,012	-
Other State sources	70,379,956	-
Other local sources	3,262,506	3,555,688
Total Revenues	290,342,296	3,555,688
EXPENDITURES		
Current		
Instruction	188,798,232	-
Instruction-related activities:		
Supervision of instruction	4,509,559	-
Instructional library, media and technology	2,374,137	-
School site administration	17,716,331	-
Pupil services:		
Home-to-school transportation	5,755,769	-
Food services	-	-
All other pupil services	17,573,750	-
General administration:		
Data processing	3,198,475	-
All other general administration	10,753,522	1,087,804
Plant services	28,128,226	107,692
Facility acquisition and construction	634,230	3,216,777
Ancillary services	4,153,581	-
Community services	792,837	-
Other outgo	11,838,892	-
Debt service		
Principal	-	1,510,000
Interest and other	-	577,966
Total Expenditures	296,227,541	6,500,239
Excess (Deficiency) of Revenues Over Expenditures	(5,885,245)	(2,944,551)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	1,863,173
Other sources - refunding certificates	-	20,593,095
Transfers out	(700,000)	-
Other uses - payment to refunded certificates of participation escrow agent	-	(20,807,791)
Net Financing Sources (Uses)	(700,000)	1,648,477
NET CHANGE IN FUND BALANCES	(6,585,245)	(1,296,074)
Fund Balances - Beginning	40,648,986	23,808,481
Fund Balances - Ending	$ 34,063,741	$ 22,512,407

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

Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 192,547,822
18,473,088	42,625,100
1,582,543	71,962,499
13,013,379	19,831,573
33,069,010	326,966,994
-	188,798,232
-	4,509,559
-	2,374,137
-	17,716,331
-	5,755,769
21,596,189	21,596,189
-	17,573,750
-	3,198,475
-	11,841,326
1,222,540	29,458,458
1,432,111	5,283,118
-	4,153,581
-	792,837
-	11,838,892
3,800,000	5,310,000
5,066,581	5,644,547
33,117,421	335,845,201
(48,411)	(8,878,207)
-	1,863,173
-	20,593,095
(1,163,173)	(1,863,173)
-	(20,807,791)
(1,163,173)	(214,696)
(1,211,584)	(9,092,903)
21,558,935	86,016,402
$ 20,347,351	$ 76,923,499

ANAHEIM UNION HIGH SCHOOL DISTRICT

RECONCILATION OF THE GOVERNMENTAL FUNDS CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR-ENDED JUNE 30, 2012

Total Net Change in Fund Balances - Governmental Funds		**$ (9,092,903)**
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 Assets 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	$ 4,568,780	
Depreciation expense	(7,676,511)	(3,107,731)
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 $147,829. Special termination benefits paid was more than the amount added by $376,136. Other postemployment benefits paid was less than the amount earned by $2,791,614.		(2,267,649)
The claims activity for property liability are reported in governmental funds (General Fund) as expenditures. In the Statement of Net Assets, the property liabilities incurred but not claimed are reported as long-term obligations.		206,975
Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities:		
Sale of certificates of participation		(20,593,095)
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		718,116
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities:		
General obligation bonds	3,800,000	
Certificates of participation	22,080,000	25,880,000

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

RECONCILATION OF THE GOVERNMENTAL FUNDS CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES - (Continued) FOR THE YEAR-ENDED JUNE 30, 2012

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	$ 348,325	
Decrease in cumulative rebate liability	178,422	
Amortization of debt discount	(2,420)	
Amortization of cost of issuance	(629,615)	$ (105,288)
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 $71,880, and second, $536,335 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.		(608,178)
An Internal Service Fund is used by the District's management to charge the costs of the Health and Welfare insurance program to the individual funds. The net loss of the Internal Service Fund is reported with governmental activities.		4,274,962
Change in Net Assets of Governmental Activities		**$ (4,694,791)**

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012

		Governmental Activities - Internal Service Fund
ASSETS		
Current Assets		
Deposits and investments	$	11,393,907
Receivables		53,460
Due from other funds		13,847,585
Prepaid expenses		69,690
Total Current Assets		25,364,642
LIABILITIES		
Current Liabilities		
Accounts payable		1,199,961
Current portion of Claims liability		3,750,000
Total Current Liabilities		4,949,961
Noncurrent Liabilities		
Claims liability		306,667
Total Non-Current Liabilities		5,256,628
NET ASSETS		
Restricted		20,108,014
Total Net Assets	$	20,108,014

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 ASSETS
JUNE 30, 2012

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges to other funds and miscellaneous revenues	$ 45,695,216
OPERATING EXPENSES	
Professional and contract services	41,508,368
Operating Income	4,186,848
NONOPERATING REVENUES	
Interest income	88,114
Contributions and Transfers	4,274,962
Change in Net Assets	4,274,962
Total Net Assets - Beginning	15,833,052
Total Net Assets - Ending	$ 20,108,014

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, 2012

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from interfund services provided	$ 31,740,115
in lieu of taxes that are payments for, and equivalent to,	(42,002,605)
Net Cash Used in Operating Activities	(10,262,490)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	88,114
Net Decrease in Cash and Cash Equivalents	(10,174,376)
Cash and Cash Equivalents - Beginning	21,568,283
Cash and Cash Equivalents - Ending	$ 11,393,907
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating income	$ 4,186,848
Changes in assets and liabilities:	
Receivables	(37,826)
Due from other funds	(13,847,585)
Prepaid expenses	(69,690)
Accounts payable	(18,677)
Claims liability	(475,560)
NET CASH USED IN OPERATING ACTIVITIES	$ (10,262,490)

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

ANAHEIM UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Agency Funds
ASSETS	
Deposits and investments	$ 2,837,916
Receivables	8
Stores inventories	7,994
Other current assets	78
Total Assets	$ 2,845,996
LIABILITIES	
Accounts payable	$ 147,865
Due to student groups	2,696,974
Due to other agencies	1,157
Total Liabilities	$ 2,845,996

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

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).

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).

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

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

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 lA), 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 assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Fund Internal Service 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.

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 exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. 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 assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

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

Governmental Funds All governmental funds are accounted for using 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 assets. The statement of changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

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.

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, 2012, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county 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.

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 assets. 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 Assets.

Compensated Absences

Compensated absences are accrued as a liability on the government-wide statement of net assets 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.

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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Fund Balances - Governmental Funds

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

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

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

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

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.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements report net assets restricted by enabling legislation of $64,889,486.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges to other funds for self-insurance. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

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.

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

Property Tax

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

New Accounting Pronouncements

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

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

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

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

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

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

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

> Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
>
> Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
>
> Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	$	85,496,441
Fiduciary funds		2,837,916
Total Deposits and Investments	$	88,334,357

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

Cash on hand and in banks	$	13,135,646
Cash in revolving		155,000
Investments		75,043,711
Total Deposits and Investments	$	88,334,357

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.

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.

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	2,172,923	2,172,923	55 days
First American Treasury Obligations	8,493,940	8,493,940	52 days
Orange County Investment Pool	62,033,711	62,038,538	304 days
Commercial Paper	2,343,137	2,381,061	December 24, 2012
Total	$ 75,043,711	$ 75,086,462	

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, 2012, the District's bank balance of $207,729 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.

NOTE 3 - RECEIVABLES

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

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	Total	Fiduciary Fund
Federal Government						
Categorical aid	$ 4,162,626	$ -	$ 3,169,168	$ -	$ 7,331,794	$ -
State Government						
Apportionment	73,632,483	-	-	-	73,632,483	-
Categorical aid	1,269,080	-	274,541	-	1,543,621	-
Lottery	2,664,552	-	-	-	2,664,552	-
Local Government						
Interest	19,004	2,210	3,106	4,481	28,801	8
Greater Anaheim SELPA	1,038,229	-	-	-	1,038,229	-
North Orange County ROP	825,764	-	-	-	825,764	-
Due from other LEAs	738,413	-	-	-	738,413	-
Other local sources	1,232,551	530,019	94,820	48,979	1,906,369	-
Total	$ 85,582,702	$ 532,229	$ 3,541,635	$ 53,460	$ 89,710,026	$ 8

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 5,869,831	$ -	$ -	$ 5,869,831
Construction in process	-	3,987,416	3,286,704	700,712
Total Capital Assets Not Being Depreciated	5,869,831	3,987,416	3,286,704	6,570,543
Capital Assets Being Depreciated				
Land improvements	19,300,003	581,878	-	19,881,881
Buildings and improvements	357,850,243	2,704,826	-	360,555,069
Furniture and equipment	7,277,224	552,037	-	7,829,261
Vehicles	5,369,032	29,327	-	5,398,359
Total Capital Assets Being Depreciated	389,796,502	3,868,068	-	393,664,570
Total Capital Assets	395,666,333	7,855,484	3,286,704	400,235,113
Less Accumulated Depreciation				
Land improvements	17,501,288	134,358	-	17,635,646
Buildings and improvements	81,474,200	6,824,799	-	88,298,999
Furniture and equipment	4,463,615	558,042	-	5,021,657
Vehicles	4,107,486	159,312	-	4,266,798
Total Accumulated Depreciation	107,546,589	7,676,511	-	115,223,100
Governmental Activities Capital Assets, Net	$ 288,119,744	$ 178,973	$ 3,286,704	$ 285,012,013

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

Governmental Activities	
Instruction	$ 4,836,202
School site administration	614,121
Home-to-school transportation	230,295
Food services	690,886
Data processing	76,765
All other general administration	383,826
Plant services	844,416
Total Depreciation Expenses Governmental Activities	$ 7,676,511

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

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

	Due From				
Due To	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ -	$ 434,294	$ 3,172,529	$ 3,606,823
Capital Facilities Fund	3,934,864	-	-	-	3,934,864
Internal Service Fund	13,847,585	-	-	-	13,847,585
Total	$ 17,782,449	$ -	$ 434,294	$ 3,172,529	$ 21,389,272

A balance of $3,000,000 is due to the Capital Facilities Fund from the General Fund for a reimbursement of a loan.

A balance of $934,864 is due to the Capital Facilities Fund from the General Fund for the facilities portion of RDA monies.

A balance of $3,172,529 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for repayment of payroll related costs and supplies.

A balance of $11,000,000 is due to the Internal Service Fund from the General Fund for reimbursement of a loan.

A balance of $2,847,585 is due to the Internal Service Fund from the General Fund for Health and Welfare costs.

The Balance of $434,294 is due to the General Fund from the Capital Facilities Fund for RDA monies subject to revenue limit.

Operating Transfers

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

	Transfer From		
Transfer To	General Fund	Non-Major Governmental Funds	Total
Capital Facilities Fund	$ 700,000	$ 1,163,173	$ 1,863,173

The General Fund transferred to the Capital Facilities Fund to pay debt service payment for 1999 COP.	$ 700,000
The Special Reserve Fund for Capital Projects transferred to the Capital Facilities Fund to pay debt service payments for food services COP.	1,163,173
Total	$ 1,863,173

NOTE 6 - ACCOUNTS PAYABLE

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

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	Total	Fiduciary Fund
Accrued payroll and benefits	$10,009,921	$ -	$ -	$ -	$10,009,921	$ -
Construction	254,653	59,574	70,556	-	384,783	-
Greater Anaheim SELPA	30,966	-	-	-	30,966	-
North Orange County ROP	5,065,862	-	-	-	5,065,862	-
Books and supplies	494,186	-	337,814	-	832,000	-
Services	1,747,388	6,551	88,202	1,198,499	3,040,640	147,865
Other	275,758	-	110,052	1,462	387,272	-
Total	$17,878,734	$ 66,125	$ 606,624	$ 1,199,961	$19,751,444	$147,865

NOTE 7 - DEFERRED REVENUES

Deferred revenues at June 30, 2012, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	$ 309,552	$ -	$ 309,552
State categorical aid	15,561	-	15,561
Other local	6,047	14,303	20,350
Total	$ 331,160	$ 14,303	$ 345,463

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Due in One Year
General obligation bonds	$117,055,518	$ 536,335	$ 3,800,000	$113,791,853	$ 4,130,000
Premium on issuance	5,019,476	-	348,325	4,671,151	-
Certificates of participation	38,975,000	20,736,818	22,080,000	37,631,818	640,000
Discount on issuance	(31,469)	-	(2,420)	(29,049)	-
Cumulative rebate liability	178,422	19,397	197,819	-	-
Property and liability	616,975	707,005	913,980	410,000	-
Accumulated vacation - net	1,506,891	-	147,829	1,359,062	-
Supplemental early retirement plan	1,504,544	-	376,136	1,128,408	376,136
Other postemployment benefits	7,883,442	4,850,279	2,058,665	10,675,056	-
	$172,708,799	$ 26,849,834	$ 29,920,334	$169,638,299	$ 5,146,136

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.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2011	Accreted	Redeemed	Bonds Outstanding June 30, 2012
6/6/02	8/1/26	3.00% - 5.70%	$ 91,999,603	$ 9,576,288	$ 207,308	$ 2,865,000	$ 6,918,596
12/5/03	8/1/28	2.00% - 5.54%	26,999,352	27,944,230	329,027	205,000	28,068,257
1/13/05	8/1/25	3.00% - 5.00%	70,590,000	68,390,000	-	120,000	68,270,000
5/10/06	8/1/22	4.00% - 5.25%	13,000,000	11,145,000	-	610,000	10,535,000
			$ 202,588,955	$ 117,055,518	$ 536,335	$ 3,800,000	$ 113,791,853

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, 2012, the principal balance outstanding (including accreted interest to date) was $6,918,596 and unamortized premium and issuance costs were $1,237,849 and $564,882, 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. The District received net proceeds of $27,685,117 (including premium of $1,114,661 and after payment of $428,896 in underwriter fees, insurance, and other issuance costs). At June 30, 2012, the principal balance outstanding (including accreted interest to date) was $28,068,257, and unamortized premium and issuance costs were $737,538 and $283,785, respectively. Premium and issuance costs are amortized over the life of the bonds as a component of interest expense on the bonds.

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.

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, 2012, the principal balance of $68,068,257 remained outstanding and unamortized premium and issuance costs were $2,404,516 and $431,437, 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, 2012, the principal balance outstanding was $10,535,000 and unamortized premium and issuance costs were $291,248 and $191,921, respectively. Premium and issuance costs are amortized over the life of the bonds as a component of interest expense on the bonds.

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
2013	$ 3,125,000	$ -	$ 78,125	$ 3,203,125
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018-2022	-	-	-	-
2023-2027	3,793,596	4,776,404	-	8,570,000
Total	$ 6,918,596	$ 4,776,404	$ 78,125	$ 11,773,125

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
2013	$ 225,000	$ -	$ 1,068,689	$ 1,293,689
2014	745,000	-	1,049,851	1,794,851
2015	790,000	-	1,019,151	1,809,151
2016	845,000	-	986,451	1,831,451
2017	900,000	-	951,551	1,851,551
2018-2022	5,450,000	-	4,102,403	9,552,403
2023-2027	7,500,000	-	2,584,192	10,084,192
2028-2029	11,613,257	9,926,743	162,500	21,702,500
Total	$ 28,068,257	$ 9,926,743	$ 11,924,788	$ 49,919,788

The 2005 Refunding Bonds mature through 2026 as follows:

Fiscal Year June 30,	Principal	Current Interest to Maturity	Total
2013	$ 125,000	$ 3,261,991	$ 3,386,991
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
2018-2022	25,715,000	9,958,218	35,673,218
2023-2026	28,600,000	2,837,412	31,437,412
Total	$ 68,270,000	$ 27,806,772	$ 96,076,772

The Series 2006 C Bonds mature through 2023 as follows:

Fiscal Year June 30,	Principal	Current Interest to Maturity	Total
2013	$ 655,000	$ 485,772	$ 1,140,772
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
2018-2022	5,315,000	1,009,274	6,324,274
2023	1,180,000	29,500	1,209,500
Total	$ 10,535,000	$ 3,123,411	$ 13,658,411

Certificates of Participation

The outstanding certificate of participation debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding July 1, 2011	Issued	Accreted	Redeemed	Outstanding June 30, 2012
9/16/99	9/1/29	Variable	$ 27,000,000	$ 21,470,000	$ -	$ -	$ 21,470,000	$ -
8/27/04	9/1/24	4.00-5.13%	15,000,000	12,505,000	-	-	610,000	11,895,000
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	-	20,593,095	143,723	-	20,736,818
				$ 38,975,000	$ 20,593,095	$ 143,723	$ 22,080,000	$ 37,631,818

1999 Certificates of Participation

On September 16, 1999, the District issued certificates of participation in the amount of $27,000,000 with variable interest rate (weekly). The certificates mature through September 1, 2029. There was no principal balance outstanding at June 30, 2012.

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, 2012, principal balance outstanding was $11,895,000 and unamortized discount and issuance costs were $29,049 and $177,293, respectively.

The certificates mature through 2025 as follows:

Fiscal Year June 30,	Principal	Interest	Total
2013	$ 640,000	$ 523,358	$ 1,163,358
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
2018-2022	4,845,000	1,343,906	6,188,906
2023-2025	3,450,000	246,825	3,696,825
Total	$ 11,895,000	$ 3,865,953	$ 15,760,953

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, 2012, the principal balance outstanding was $5,000,000 and unamortized issuance costs were $25,196. 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, 2012, the principal balance outstanding on the 2012 Refunding Certificates of Participation was $20,736,818. Unamortized costs on issuance of the bonds amounted to $693,353 as of June 30, 2012.

The certificates mature through 2041 as follows:

Fiscal Year June 30,	Principal Including Accreted Interest to Date	Accreted Interest	Interest*	Total
2013	$ -	$ -	$ -	$ -
2014	-	-	-	-
2015	-	-	228,900	228,900
2016	-	-	457,800	457,800
2017	142,684	7,316	456,225	606,225
2018-2022	1,198,550	61,450	2,215,080	3,475,080
2023-2027	2,244,903	115,097	2,027,970	4,387,970
2028-2032	3,643,212	186,788	1,706,565	5,536,565
2033-2037	5,536,160	283,840	1,204,350	7,024,350
2038-2041	7,971,309	408,691	463,470	8,843,470
Total	$ 20,736,818	$ 1,063,182	$ 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.

Cumulative Rebate Liability

The District has calculated the cumulative rebate liability for the 1999 certificates of participation to be $-0- at June 30, 2012.

Property and Liability

The District has a property and liability program balance of $410,000 at June 30, 2012.

Accumulated Unpaid Employee Vacation

Accumulated unpaid employee vacation for the District at June 30, 2012, amounted to $1,359,062.

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. The annuities, which were purchased for 41 employees who retired by June 30, 2012, were purchased from the Public Agency Retirement Services.

Future annuity payments are as follows:

Year Ending June 30,	Amount
2012	$ 376,136
2013	376,136
2014	376,136
Total	$ 1,128,408

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year-ended June 30, 2012, was $4,888,457, and contributions made by the District during the year were $2,058,665. Interest on the net OPEB obligation and adjustments to the annual required contribution were $355,994 and ($394,172), respectively, which resulted in an increase to the net OPEB obligation of $2,791,614. As of June 30, 2012, the net OPEB obligation was $10,675,056. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 9 - 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	392,475	-	108,483	500,958
Prepaid expenditures	407,972	-	-	407,972
Total Nonspendable	955,447	-	108,483	1,063,930
Restricted				
Legally restricted programs	14,857,678	-	-	14,857,678
Nutrition services	-	-	8,235,038	8,235,038
Capital projects	-	22,512,407	460,418	22,972,825
Debt services	-	-	6,691,323	6,691,323
Total Restricted	14,857,678	22,512,407	15,386,779	52,756,864
Assigned				
Site carryover	726,841	-	-	726,841
Mandated cost reimbursement	2,125,880	-	-	2,125,880
Deferred maintenance	2,876,972	-	-	2,876,972
Attendance software	600,000	-	-	600,000
Anaheim High School Pool	277	-	-	277
Capital projects	-	-	4,852,089	4,852,089
Total Assigned	6,329,970	-	4,852,089	11,182,059
Unassigned				
Reserve for economic uncertainties	5,780,309	-	-	5,780,309
Remaining unassigned	6,140,337	-	-	6,140,337
Total Unassigned	11,920,646	-	-	11,920,646
Total	$ 34,063,741	$ 22,512,407	$ 20,347,351	$ 76,923,499

NOTE 10 - 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 2011-2012, the District contributed $2,058,665 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	355,994
Adjustment to annual required contribution	(394,172)
Annual OPEB cost (expense)	4,850,279
Contributions made	(2,058,665)
Increase in net OPEB obligation	2,791,614
Net OPEB obligation, beginning of year	7,883,442
Net OPEB obligation, end of year	$ 10,675,056

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
2010	$ 4,025,104	$ 2,285,429	57%	$ 5,472,504
2011	4,784,310	2,373,372	50%	7,883,442
2012	4,850,279	2,058,665	42%	10,675,056

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%	$ 185,233,689	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.

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, 2012, was 26 years.

NOTE 11 - 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 14 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.

Unpaid Claims Liabilities

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

	Workers' Compensation	Health and Welfare	Total
Liability Balance, July 1, 2010	$ 485	$ 3,531	$ 4,016
Claims and changes in estimates	135	28,038	28,173
Claims payments	(70)	(27,587)	(27,657)
Liability Balance, June 30, 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
Assets available to pay claims at June 30, 2012	$ 1,620	$ 23,745	$ 25,365

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-2011 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2012, 2011, and 2010, were $11,108,199, $10,893,422, and $11,386,954, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011-2011 was 10.923 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2012, 2011, and 2010, were $5,525,821, $5,224,682, and $4,998,611, 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 $6,700,494 (4.855 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS.). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

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

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Savanna Roofing Project	$ 244,704	July 2012
Savanna Paving Rehabilitation	208,768	August 2012
Katella Shade Structure Installation	97,111	August 2012
Cypress and Walker Freezer Upgrades	201,867	August 2012
Magnolia Exterior Paint	126,000	August 2012
Magnolia Drainage Landscape Improvements	1,427,100	November 2012
Orangeview HVAC Modernization	1,365,000	November 2012
Western Tennis and Basketball Court Project	1,235,000	November 2012
	$ 4,905,550	

Grants

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

Litigation

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

NOTE 14 - 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, 2012, the District made payments of $10,503,407, $112,249 and $451,097 to NOCROP, GASELPA, SELF, and CSAC, respectively, for services rendered and pass-through funds.

NOTE 15 - FISCAL ISSUES RELATING TO BUDGET REDUCTIONS

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

NOTE 16 - SUBSEQUENT EVENT

On October 11, 2012, the District issued $21,225,000 of 2012 General Obligation Refunding Bonds. The current interest bonds mature on August 1, 2027, with interest yields of 2.50 to 5.00 percent. Proceeds from the bonds will be used to refund a portion of the District's outstanding 2003 General Obligation Bonds and pay costs associated with the issuance of the bonds.

REQUIRED SUPPLEMENTARY INFORMATION

ANAHEIM UNION HIGH SCHOOL DISTRICT

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

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Revenue limit sources	$ 195,178,979	$ 192,552,822	$ 192,547,822	$ (5,000)
Federal sources	23,993,300	25,921,446	24,152,012	(1,769,434)
Other State sources	60,668,096	63,634,050	70,379,956	6,745,906
Other local sources	3,971,142	3,691,906	3,262,506	(429,400)
Total Revenues [1]	283,811,517	285,800,224	290,342,296	4,542,072
EXPENDITURES				
Current				
Certificated salaries	137,719,055	136,281,923	136,716,059	(434,136)
Classified salaries	44,933,037	45,110,863	45,109,565	1,298
Employee benefits	70,229,586	68,974,513	75,400,672	(6,426,159)
Books and supplies	19,454,293	9,344,768	7,050,234	2,294,534
Services and operating expenditures	22,136,338	19,773,394	19,196,901	576,493
Capital Outlay	293,475	951,038	915,219	35,819
Other outgo	11,292,014	12,538,893	11,838,891	700,002
Total Expenditures [1]	306,057,798	292,975,392	296,227,541	(3,252,149)
Excess (Deficiency) of Revenues Over Expenditures	(22,246,281)	(7,175,168)	(5,885,245)	1,289,923
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(700,000)	(700,000)
NET CHANGE IN FUND BALANCE	(22,246,281)	(7,175,168)	(6,585,245)	589,923
Fund Balance - Beginning	40,648,986	40,648,986	40,648,986	-
Fund Balance - Ending	$ 18,402,705	$ 33,473,818	$ 34,063,741	$ 589,923

[1] On behalf payments of $6,700,494 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.

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ANAHEIM UNION HIGH SCHOOL DISTRICT

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

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, 2008	$ -	$ 34,666,336	$ 34,666,336	0%	$ 189,507,993	18%
July 1, 2010	-	42,269,472	42,269,472	0%	185,233,689	23%

SUPPLEMENTARY INFORMATION

ANAHEIM UNION HIGH SCHOOL DISTRICT

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

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]	$ 456,709
Passed through California Department of Education (CDE):			
Educational Technology State Grants Cluster:			
Title II - Part D, Enhancing Education Through Technology Formula Grant	84.318	14334	20,956
ARRA Title II - Part D, Enhancing Education Through Technology Formula Grant	84.386	15019	72,868
Total Educational Technology State Grants Cluster			93,824
Title I - Part A, Grants to Local Educational Agencies	84.010	14329	5,877,762
Title I - Part A, Program Improvement LEA Corrective Action	84.010	14955	855,353
Title I - Part G, Advanced Placement Test Fee Program	84.330	14831	106,435
Title II - Part A, Improving Teacher Quality	84.367	14341	1,194,605
Title II - Part B, CA Mathematics and Science Partnerships	84.366	14512	65,394
Title III - Limited English Proficiency	84.365	14346	658,548
Title X - McKinney-Vento Homeless Assistance Grant	84.196	14332	26,073
Education Jobs Fund	84.410	25152	7,232,934
Carl D. Perkins Vocational and Technical Education:			
Vocational and Applied Technology - Secondary	84.048	14894	457,203
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	5,524,582
IDEA Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	118,553
Total Special Education (IDEA) Cluster			5,643,135
Passed through California Department of Rehabilitation:			
Workability II, Transition Partnership	84.158	10006	29,059
Total U.S. Department of Education			22,697,034
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13391	13,517,907
Especially Needy Breakfast	10.553	13390	3,441,768
Meal Supplements	10.556	13392	391,374
Food Distribution	10.555	13391	1,122,039
Total Child Nutrition Cluster			18,473,088
Total U.S. Department of Agriculture			18,473,088

[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, 2012

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 Administrative Activities	93.778	10060	$ 351,855
LEA Medi-Cal Billing Option	93.778	10013	522,015
Total U.S. Department of Health and Human Services			873,870
DEPARTMENT OF DEFENSE			
Passed through the Orange County Department of Education:			
Junior Reserve Officers Training Corps - Army	12.000	[2]	511,611
Total U.S. Department of Defense			511,611
Total Expenditures of Federal Awards			$ 42,555,603

[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, 2012

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

MEMBER	OFFICE	TERM EXPIRES
Anna L. Piercy	President	2014
Brian O' Neal	Clerk	2012
Anne Marie Randle-Trejo	Assistant Clerk	2012
Jordan Brandman	Member	2014
Katherine H. Smith	Member	2012

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, 2012

	Final Report	
	Second Period Report	Annual Report
ELEMENTARY		
Seventh and eighth	9,746	9,716
Home and hospital	3	2
Special education	376	377
Community day	16	21
Total Elementary	10,141	10,116
SECONDARY		
Regular classes	19,236	19,071
Continuation education	521	521
Home and hospital	10	10
Special education	1,090	1,080
Community day	53	54
Total Secondary	20,910	20,736
Total K-12	31,051	30,852

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

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

Grade Level	1982-83 Actual Minutes	Reduced 1982-83 Actual Minutes	1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	2011-12 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grades 7 - 8	61,182	57,103	54,000	50,400				
Grade 7					60,338	179	-	Complied
Grade 8					60,338	179	-	Complied
Grades 9 - 12	59,708	55,727	64,800	60,480				
Grade 9					64,441	179	-	Complied
Grade 10					64,441	179	-	Complied
Grade 11					64,441	179	-	Complied
Grade 12					64,441	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, 2012

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

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

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

	(Budget) 2013 [1]	2012	2011	2010
GENERAL FUND				
Revenues	$ 271,364,678	$ 290,342,296	$ 300,942,450	$ 307,945,319
Other sources and transfers in	-	-	271,879	2,584,880
Total Revenues and Other Sources	271,364,678	290,342,296	301,214,329	310,530,199
Expenditures	(292,942,481)	(296,227,541)	(302,322,722)	(301,709,309)
Other uses and transfers out	-	(700,000)	(700,000)	(1,159,994)
Total Expenditures and Other Uses	(292,942,481)	(296,927,541)	(303,022,722)	(302,869,303)
INCREASE (DECREASE) IN FUND BALANCE	$ (21,577,803)	$ (6,585,245)	$ (1,808,393)	$ 7,660,896
ENDING FUND BALANCE	$ 12,485,938	$ 34,063,741	$ 40,648,986	$ 42,457,379
AVAILABLE RESERVES [2]	$ 7,216,570	$ 11,920,646	$ 20,017,802	$ 11,625,546
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [3]	2.46%	4.11%	6.73%	3.91%
LONG-TERM OBLIGATIONS	N/A	$ 168,638,299	$ 172,708,799	$ 173,457,573
K-12 AVERAGE DAILY ATTENDANCE AT P-2	30,585	31,051	31,532	31,404

The General Fund balance has decreased by $8,393,638 over the past two years. The fiscal year 2012-2013 budget projects a decrease of $21,577,803 (63 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 deficit in two of the past three years and anticipates incurring an operating deficit during the 2012-2013 fiscal year. Total long-term obligations have decreased by $4,819,274 over the past two years.

Average daily attendance has decreased by 353 over the past two years. Additional decline of 466 ADA is anticipated during fiscal year 2012-2013.

[1] Budget 2013 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, 2012, 2011, and 2010, respectively.

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

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

	Cafeteria Fund	Deferred Maintenance Fund	County School Facilities Fund
ASSETS			
Deposits and investments	$ 8,419,409	$ -	$ 492,704
Receivables	3,538,529	-	182
Stores inventories	108,483	-	-
Total Assets	$ 12,066,421	$ -	$ 492,886
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 536,068	$ -	$ 32,468
Due to other funds	3,172,529	-	-
Deferred revenue	14,303	-	-
Total Liabilities	3,722,900	-	32,468
Fund Balances:			
Nonspendable	108,483	-	-
Restricted	8,235,038	-	460,418
Assigned	-	-	-
Total Fund Balances	8,343,521	-	460,418
Total Liabilities and Fund Balances	$ 12,066,421	$ -	$ 492,886

See accompanying note to supplementary information.

	Special Reserve Fund for Capital Outlay Projects		Bond Interest and Redemption Fund		Total Non-Major Governmental Funds
$	4,890,177	$	6,688,399	$	20,490,689
	-		2,924		3,541,635
	-		-		108,483
$	4,890,177	$	6,691,323	$	24,140,807
$	38,088	$	-	$	606,624
	-		-		3,172,529
	-		-		14,303
	38,088		-		3,793,456
	-		-		108,483
	-		6,691,323		15,386,779
	4,852,089		-		4,852,089
	4,852,089		6,691,323		20,347,351
$	4,890,177	$	6,691,323	$	24,140,807

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, 2012

	Cafeteria Fund	Deferred Maintenance Fund	County School Facilities Fund
REVENUES			
Federal sources	$ 18,473,088	$ -	$ -
Other State sources	1,503,577	-	-
Other local sources	3,517,093	1,918	240,381
Total Revenues	23,493,758	1,918	240,381
EXPENDITURES			
Current			
Pupil services:			
Food services	21,596,189	-	-
Plant services	295,083	927,457	-
Facility acquisition and construction	1,080,516	48,498	266,483
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	22,971,788	975,955	266,483
Excess (Deficiency) of Revenues Over Expenditures	521,970	(974,037)	(26,102)
OTHER FINANCING USES			
Transfers out	-	-	-
NET CHANGE IN FUND BALANCES	521,970	(974,037)	(26,102)
Fund Balances - Beginning	7,821,551	974,037	486,520
Fund Balances - Ending	$ 8,343,521	$ -	$ 460,418

See accompanying note to supplementary information.

Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ -	$ -	$ 18,473,088
-	78,966	1,582,543
511,963	8,742,024	13,013,379
511,963	8,820,990	33,069,010
-	-	21,596,189
-	-	1,222,540
36,614	-	1,432,111
-	3,800,000	3,800,000
-	5,066,581	5,066,581
36,614	8,866,581	33,117,421
475,349	(45,591)	(48,411)
(1,163,173)	-	(1,163,173)
(687,824)	(45,591)	(1,211,584)
5,539,913	6,736,914	21,558,935
$ 4,852,089	$ 6,691,323	$ 20,347,351

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, 2012

(Dollar amounts in thousands)	Actual Results for the Years					
	2011-2012		2010-2011		2009-2010	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	$ 24,152	8.3	$ 20,823	6.9	$ 46,467	15.1
State and local revenue included in revenue limit	192,548	66.3	193,080	64.1	184,264	59.8
Other State revenue	70,380	24.3	82,639	27.5	72,902	23.7
Other local revenue	3,262	1.1	4,400	1.5	4,312	1.4
Total Revenues	290,342	100.0	300,942	100.0	307,945	100.0
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	136,716	47.1	134,034	44.5	138,513	45.0
Classified salaries	45,110	15.5	43,674	14.5	45,402	14.7
Employee benefits	75,401	26.0	73,401	24.4	57,105	18.6
Total Salaries and Benefits	257,227	88.6	251,109	83.4	241,020	78.3
Books and supplies	7,050	2.4	7,505	2.5	8,157	2.6
Contracts and operating expenses	19,197	6.6	17,570	5.9	17,108	5.6
Capital outlay	915	0.3	417	0.1	439	0.1
Other outgoing	11,838	4.1	25,721	8.6	34,985	11.4
Total Expenditures	296,227	102.0	302,322	100.5	301,709	98.0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,885)	(2.0)	(1,380)	(0.5)	6,236	2.0
OTHER FINANCING SOURCES (USES)						
Transfers in	-	0.0	272	0.1	2,585	0.9
Transfers out	(700)	(0.3)	(700)	(0.2)	(1,160)	(0.4)
Total Other Financing Sources (Uses)	(700)	(0.3)	(428)	(0.1)	1,425	0.5
INCREASE (DECREASE) IN FUND BALANCE	(6,585)	(2.3)	(1,808)	0.6	7,661	2.5
FUND BALANCE, BEGINNING	40,649		42,457		34,796	
FUND BALANCE, ENDING	$ 34,064		$ 40,649		$ 42,457	
ENDING FUND BALANCE TO TOTAL REVENUE		11.7		13.5		13.8

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, 2012

(Dollar amounts in thousands)	Actual Results for the Years					
	2011-2012		2010-2011		2009-2010	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal - NSLP	$ 18,473	78.6	$ 17,839	77.3	$ 17,656	76.4
State meal program	1,504	6.4	1,466	6.4	1,405	6.1
Food sales	3,319	14.1	3,626	15.7	3,859	16.7
Other	198	0.9	138	0.6	185	0.8
Total Revenues	23,494	100.0	23,069	100.0	23,105	100.0
EXPENDITURES						
Salaries and employee benefits	10,984	46.8	10,594	45.9	10,600	45.9
Food	9,818	41.8	9,566	41.5	8,945	38.7
Other	2,170	9.2	1,401	6.1	1,864	8.1
Total Expenditures	22,972	97.8	21,561	93.5	21,409	92.7
INCREASE (DECREASE) IN FUND BALANCE	522	2.2	1,508	6.5	1,696	7.3
FUND BALANCE, BEGINNING	7,822	33.3	6,314	27.4	4,618	20.0
FUND BALANCE, ENDING	$ 8,344		$ 7,822		$ 6,314	
ENDING FUND BALANCE TO TOTAL REVENUES		35.5		33.9		27.3

* *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2011-2012		2010-2011		2009-2010	
	Amount	Percent	Amount	Percent	Amount	Percent
TYPE 'A' LUNCHES						
Paid	506,230	9.4	567,212	10.5	650,165	11.6
Reduced price	754,093	13.9	709,520	13.2	939,312	16.7
Free	4,148,335	76.7	4,106,368	76.3	4,023,340	71.7
Total Lunches	5,408,658	100.0	5,383,100	100.0	5,612,817	100.0
BREAKFAST						
Paid	55,014	2.7	53,427	2.7	50,615	2.6
Reduced price	262,384	13.1	249,460	12.5	302,079	15.2
Free	1,685,188	84.2	1,686,032	84.8	1,629,253	82.2
Total Breakfast	2,002,586	100.0	1,988,919	100.0	1,981,947	100.0

See accompanying note to supplementary information.

ANAHEIM UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2012

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, 2012. These unspent balances are reported as legally restricted ending balances within the General Fund.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 42,625,100
Medi-Cal Billing Option	93.778	(69,497)
Total Schedule of Expenditures of Federal Awards		$ 42,555,603

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2012

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 the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Anaheim Union High School District as of and for the year ended June 30, 2012, which collectively comprise Anaheim Union High School District's basic financial statements and have issued our report thereon dated December 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Anaheim Union High School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 the Anaheim Union High School District in a separate letter dated December 12, 2012.

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 12, 2012

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

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

Governing Board
Anaheim Union High School District
Anaheim, California

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about 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.

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

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Internal Control Over Compliance

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

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

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 12, 2012

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Anaheim Union High School District
Anaheim, California

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

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

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, 2012.

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:

	Procedures in Audit Guide	Procedures Performed
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

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	Procedures in Audit Guide	Procedures Performed
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
Public Hearing Requirement - Receipt of Funds	1	Yes
Juvenile Court Schools	8	Not Applicable
Exclusion of Pupils - Pertussis Immunization	2	Yes
Class Size Reduction Program (including in charter schools):		
General requirements	7	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	3	Not Applicable
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	4	Not Applicable

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 12, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ANAHEIM UNION HIGH SCHOOL DISTRICT

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

FINANCIAL STATEMENTS	
Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	No
Identification of major programs:	

CFDA Numbers	Name of Federal Program or Cluster
84.367	Title II - Part A - Improving Teacher Quality
84.410	Education Jobs Fund
84.027 and 84.027A	Special Education IDEA Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,276,668
Auditee qualified as low-risk auditee?	Yes
STATE AWARDS	
Type of auditors' report issued on compliance for State programs:	Unqualified

ANAHEIM UNION HIGH SCHOOL DISTRICT

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

None reported.

ANAHEIM UNION HIGH SCHOOL DISTRICT

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

None reported.

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

None reported.

ANAHEIM UNION HIGH SCHOOL DISTRICT

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

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

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

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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, 2012, 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 12, 2012, on the basic financial statements of the Anaheim Union High School District.

CAPITAL ASSETS - PHYSICAL INVENTORY COUNT

Observation

The District relies on physical counts to update its capital asset listing. However, the District has not performed a physical count in the past three fiscal years.

Recommendation

The District should establish a policy for performing a physical count of inventory. The District should perform annual physical asset counts to ensure that all assets included in the fixed asset listing exist and are not obsolete.

CAFETERIA CAPITAL ASSETS

Observation

For the current year, the Cafeteria Fund had $1,080,516 recorded to the 8500 function or 6000 objects. However, it appears none of these expenditures were capitalized and reflected as additions in the District's fixed asset system.

Recommendation

The District should implement policies and procedures to ensure expenditures are properly recorded to the 8500 function and 6000 objects and reviewed during the year to determine if these expenditures should be capitalized. The District may consider requiring the cafeteria department to send invoices and supporting documentation to the District for expenditures recorded to the 8500 function and 6000 objects so the appropriate personnel are able to review and determine if items should be capitalized.

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ASSOCIATED STUDENT BODY (ASB)

Ball Junior High School

Observations

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

1. The student council minutes are not maintained.
2. The site does not utilize revenue potential forms.
3. The site does not maintain a count of items sold at the student store. In addition, a physical count of inventory is not taken nor is a perpetual log of inventory maintained.
4. Ticket sales recap form is not utilized.
5. A master ticket control log is not maintained.

Recommendations

1. The site should review the Fiscal Crisis and Management Assistance Team (FCMAT) ASB Accounting Manual regarding the items of information the minutes of the Student Council meetings should document. The FCMAT ASB Accounting Manual suggests that minutes be taken and filed which includes details of the meeting including budgeting procedures, fund raising discussions, and approval of expenditures. In addition, any motion which is presented and voted on must include the individual's name who presented the motion, the person who seconded it and the final vote on the motion.
2. Revenue potentials must be completed for each fundraiser. This includes the expected profit and loss section associated with the fundraisers. This will help identify any significant differences between anticipated profits and actual profits/ losses and possible potential misappropriation of ASB funds. Analysis of actual profit/ loss also allows the site to continue those fundraisers which generate profit and modify or eliminate those which generate losses.
3. A form of receipting should be used at the student store to mitigate any discrepancies that may occur. The student store can issue physical receipts for items purchased or generate a tally sheet of all items sold at the student store to tally total sales of items as they are being sold. In addition, a daily sales recap should be prepared where the items sold are reconciled to the cash collected. To further strengthen student store controls, inventory should be reconciled where daily sales recap sheets and physical inventory counts of goods are compared to ensure all merchandise has been accounted for. At minimum, physical counts of inventory should be taken annually. It is encouraged that sites quarterly perform physical counts. In addition, to prevent the loss or the misappropriation of assets, the site should reconcile the physical inventory count to a perpetual inventory of items available for sale. A perpetual inventory tracks beginning inventory, purchases and other additions to inventory and total number of items sold based on daily sales and receipts. The site should also establish a procedure to investigate any significant differences noted between the actual physical inventory counts and the perpetual inventory count. This information is necessary to analyze sales activity and applicable profit or loss and to determine if merchandise has been lost or stolen.
4. A ticket sales recap form serves the purpose of calculating, based on the number of tickets sold out of the roll and the price per ticket, the amount of cash that should have been collected. The recap should be reconciled to the cash deposit forwarded to the bookkeeper. This procedure documents overages and shortages of cash and informs site personnel about potential problems in cash collections.

5. A master ticket log should be maintained, which notes the type of ticket, color, and beginning and ending ticket number in the roll. The site should log all ticket roll inventory, even if the rolls are not in use. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the ending ticket number should be recorded in the master ticket log and the form should be reconciled to the log. An explanation of any overages/shortages must be documented on the form. The site administrator should ensure that these forms are completed and turned into the bookkeeper at the conclusion of the event.

Ball Junior High School

Observations

In reviewing the cash disbursement procedures at the site for 14 expenditures, we noted the following deficiencies:

1. The supporting documentation (invoice, purchase order, etc.) for two disbursements could not be located.
2. Two cash disbursements lacked an invoice.
3. Receiving documentation was not present for 10 out of 10 purchases made for goods.
4. One disbursement tested was for the repair of the tennis courts.
5. Four disbursements did not have prior approval or was missing one of the required three signatures on the requisition form.

Recommendations

1. All disbursements should be pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases. Three signatures, the District appointed representatives, an advisor and a student representative, are required on all disbursements from a student body account.
2. In addition, documents supporting a disbursement, including an invoice, requisition form and receiving documentation, should be kept with the student body bookkeeper so that they can be easily reviewed should the need arise. In order to ensure all disbursements are appropriate for the ASB, the site should notify club advisors of allowable and prohibited expenses for the student body. Generally, disbursements that are considered a district responsibility are not an allowable ASB expenditure.

Magnolia High School

Observations

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

1. Tickets and ticket sales recap forms were not utilized for three of four ticketed events reviewed. Tickets were not used instead the purchasers' hands were stamped for the events. Therefore, ticket sales recap forms were not completed because needed information such as the number of purchases or amount paid could not be determined.
2. Three sales deposit forms were missing either the signature of the person who counted or verified cash deposit.
3. Three student store daily sales reports did not provide explanations for overage/shortage discrepancies.
4. Perpetual inventory is not maintained for student store items.

Recommendations

1. A ticket sales report should be completed for every ticketed event. A ticket sales recap form serves the purpose of calculating, based on the number of tickets sold out of the roll and the price per ticket, the amount of cash that should have been collected. The recap should be reconciled to the cash deposit forwarded to the bookkeeper. This procedure documents overages and shortages of cash and informs site personnel about potential problems in cash collections.
2. After a ticket event, at least two people should independently count the monies collected. As evidence that this procedure occurred, both people should sign the sales deposit form.
3. All discrepancies between the items sold and monies collected should be investigated and an explanation should be documented on the daily sales report. This analysis is necessary to determine if monies or merchandise has been lost or stolen.
4. A perpetual inventory tracks beginning inventory, purchases and other additions to inventory and total number of items sold based on daily sales and receipts. To prevent the loss or the misappropriation of assets, the site should reconcile the physical inventory count to a perpetual inventory of items available for sale. The site should also establish a procedure to investigate any significant differences noted between the actual physical inventory counts and the perpetual inventory count. The perpetual inventory is necessary to analyze sales activity and applicable profit or loss and to determine if merchandise has been lost or stolen.

Observations

In reviewing the cash disbursement procedures at the site for 24 expenditures, we noted the following deficiencies:

1. One disbursement had a purchase order created prior to the approval of the requisition form.
2. Two expenditures were made prior to the approval of the requisition form.
3. The amount of one disbursement exceeded the approved requisition form by over $2,000.
4. Fourteen Wal-Mart gift cards were purchased for $1,560 and were donated to individual families.

Recommendations

1. All disbursements should be pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
2. In order to ensure all disbursements are appropriate for the ASB, the site should notify club advisors of allowable and prohibited expenses for the student body. Disbursements that are donated are considered a gift of public funds and generally not an allowable ASB expenditure.

Walker Jr. High School

Observations

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

1. Two of the12 disbursements reviewed were not pre-approved by the student body. Another disbursement was a reimbursement for the salary of multiple substitute teachers in the amount of $1,426.
2. The school site does not maintain a count of items sold at the student store. In addition, a physical count of inventory is not taken nor is a perpetual log of inventory maintained.
3. January bank reconciliation included stale date checks. Checks were dated as early as February 2007.

Recommendations

1. All disbursements should be pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases. In order to ensure all disbursements are appropriate for the ASB, the site should notify club advisors of allowable and prohibited expenses for the student body. Generally, disbursements that are considered a district responsibility are not an allowable ASB expenditure.
2. At minimum, physical counts of inventory should be taken annually. It is encouraged that sites quarterly perform physical counts. In addition, to prevent the loss or the misappropriation of assets, the site should reconcile the physical inventory count to a perpetual inventory of items available for sale. A perpetual inventory tracks beginning inventory, purchases and other additions to inventory and total number of items sold based on daily sales and receipts. The site should also establish a procedure to investigate any significant differences noted between the actual physical inventory counts and the perpetual inventory count. This information is necessary to analyze sales activity and applicable profit or loss and to determine if merchandise has been lost or stolen.
3. Outstanding checks over six months old should be credited back to the appropriate account and should be taken off subsequent bank reconciliation's.

Anaheim High School

Observations

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

1. Two of the 14 disbursements reviewed were not pre-approved by the student body.
2. The site does not maintain a count of items sold at the student store. Therefore, no reconciliation is being performed between the daily student store sales and the amount of inventory sold. In addition, a perpetual log of inventory is not maintained.
3. One disbursement tested was for 37 computers for the business class totaling $29,830.
4. One of 14 disbursements did not have receiving documentation.
5. Two of 14 disbursements did not have an invoice.
6. Revenue potential forms are not used for fundraising events.
7. ASB minutes do not indicate approval of student fundraisers.

Recommendations

1. All disbursements should be pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
2. A form of receipting should be used at the student store to mitigate any discrepancies that may occur. The student store can issue physical receipts for items purchased or generate a tally sheet of all items sold at the student store to tally total sales of items as they are being sold. In addition, a daily sales recap should be prepared where the items sold are reconciled to the cash collected. To further strengthen student store controls, inventory should be reconciled where daily sales recap sheets and physical inventory counts of goods are compared to ensure all merchandise has been accounted for. At minimum, physical counts of inventory should be taken annually. It is encouraged that sites quarterly perform physical counts. In addition, to prevent the loss or the misappropriation of assets, the site should reconcile the physical inventory count to a perpetual inventory of items available for sale. A perpetual inventory tracks beginning inventory, purchases and other additions to inventory and total number of items sold based on daily sales and receipts. The site should also establish a procedure to investigate any significant differences noted between the actual physical inventory counts and the perpetual inventory count. This information is necessary to analyze sales activity and applicable profit or loss and to determine if merchandise has been lost or stolen.
3. In order to ensure all disbursements are appropriate for the ASB, the site should notify club advisors of allowable and prohibited expenses for the student body. Generally, disbursements that are considered a district responsibility are not an allowable ASB expenditure.
4. 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.
5. Documents supporting a disbursement, including an invoice, should be kept with the student body bookkeeper so that they can be easily reviewed should the need arise.
6. Revenue potentials must be completed for each fundraiser. This includes the expected profit and loss section associated with the fundraisers. This will help identify any significant differences between anticipated profits and actual profits/losses and possible potential misappropriation of ASB funds. Analysis of actual profit/loss also allows the site to continue those fundraisers which generate profit and modify or eliminate those which generate losses.
7. The site should review the FCMAT ASB Accounting Manual regarding the items of information the minutes of the Student Council meetings should document. The FCMAT ASB Accounting Manual suggests that minutes be taken and filed which includes details of the meeting including budgeting procedures, fund raising discussions, and approval of expenditures.

Brookhurst Junior High School

Observations

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

1. The student council minutes are not maintained.
2. One of 12 disbursements reviewed was missing one of the three required signatures.
3. The site does not maintain a count of items sold at the student store. In addition, a physical count of inventory is not taken nor is a perpetual log of inventory maintained.
4. The site does not utilize revenue potential forms.
5. January bank reconciliation included stale date checks. Checks were dated as early as February 2007.

6. During the month of January, four cash deposits were made to the bank. Out of which 3 cash receipts totaling $3,033 were not deposited in a timely manner. The number of days between the receipt date and deposit date ranged from 8 to 15 days.

<u>Recommendations</u>

1. The site should review the FCMAT ASB Accounting Manual regarding the items of information the minutes of the Student Council meetings should document. The FCMAT ASB Accounting Manual suggests that minutes be taken and filed which includes details of the meeting including budgeting procedures, fund raising discussions, and approval of expenditures. In addition, any motion which is presented and voted on must include the individual's name who presented the motion, the person who seconded it and the final vote on the motion.
2. All disbursements should be pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases. Three signatures, the District appointed representatives, an advisor and a student representative, are required on all disbursements from a student body account.
3. A form of receipting should be used at the student store to mitigate any discrepancies that may occur. The student store can issue physical receipts for items purchased or generate a tally sheet of all items sold at the student store to tally total sales of items as they are being sold. In addition, a daily sales recap should be prepared where the items sold are reconciled to the cash collected. To further strengthen student store controls, inventory should be reconciled where daily sales recap sheets and physical inventory counts of goods are compared to ensure all merchandise has been accounted for. At minimum, physical counts of inventory should be taken annually. It is encouraged that sites quarterly perform physical counts. In addition, to prevent the loss or the misappropriation of assets, the site should reconcile the physical inventory count to a perpetual inventory of items available for sale. A perpetual inventory tracks beginning inventory, purchases and other additions to inventory and total number of items sold based on daily sales and receipts. The site should also establish a procedure to investigate any significant differences noted between the actual physical inventory counts and the perpetual inventory count. This information is necessary to analyze sales activity and applicable profit or loss and to determine if merchandise has been lost or stolen.
4. Revenue potentials must be completed for each fundraiser. This includes the expected profit and loss section associated with the fundraisers. This will help identify any significant differences between anticipated profits and actual profits/ losses and possible potential misappropriation of ASB funds. Analysis of actual profit/ loss also allows the site to continue those fundraisers which generate profit and modify or eliminate those which generate losses.
5. Outstanding checks over six months old should be credited back to the appropriate account and should be taken off subsequent bank reconciliation's.
6. At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity there may be a need to make more than one deposit. The District should communicate guidelines for such a procedure including the maximum cash on hand that should be maintained at the site.

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 12, 2012