

**CENTRAL UNION HIGH SCHOOL DISTRICT
COUNTY OF IMPERIAL
EL CENTRO, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2013

**Wilkinson Hadley King & Co. LLP
CPAs and Advisors
218 W. Douglas Ave
El Cajon, CA 92020**

Introductory Section

Central Union High School District
 Audit Report
 For The Year Ended June 30, 2013

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Financial Section

Wilkinson Hadley King & Co. LLP
CPAs and Advisors
218 W. Douglas Ave
El Cajon, CA 92020

Independent Auditor's Report

To the Board of Trustees
Central Union High School District
El Centro, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Emphasis of Matter

As described in Note A to the financial statements, in 2013, Central Union High School District adopted new accounting guidance, Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Central Union High School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13*, published by the Education Audit Appeals Panel, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2013 on our consideration of Central Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central Union High School District's internal control over financial reporting and compliance.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 11, 2013

Management Discussion and Analysis For the Central Union High School District For the Fiscal Year Ended June 30, 2013 (Unaudited)

The following Management Discussion and Analysis (MD&A) highlights the significant factors that influenced the financial performance of the Central Union High School District during the fiscal year ending June 30, 2013. The MD&A is a requirement of GASB 34 and should be read in conjunction with the district's financial statements for the fiscal year 2012-13.

Financial Highlights

- The district's total net position was \$63,451,292 as of June 30, 2013. This represents a \$526,106 increase from the audited beginning balance of \$62,925,186.
- Total General and Program Revenues were \$36,918,787 as compared to \$36,392,681 in expenditures.
- Average Daily Attendance increased by 61.17 students; from 3,836.74 in 2011-12 to 3,897.91 in 2012-13.

Overview of the Financial Statements

The following are the components of the GASB 34 reporting model:

Management Discussion and Analysis
District Wide Statements
Statement of Activities
Statement of Net Position
Fund Statements
Budgetary Comparison
Notes to Financial Statements

The Management Discussion and Analysis (this section) is a narrative analysis of the district's financial performance over the course of the fiscal year.

The District-wide financial statements report information about the district as a whole. All funds are included. There are two types of District-wide Statements; the Statement of Net Position and the Statement of Activities. The Statement of Net Position includes all of the district's assets and liabilities and reports the changes that occurred during the fiscal year. The Statement of Activities reports all of the district's revenues and expenditures accounted for in the current year, regardless of when the cash was paid.

The two district-wide statements report the district's net position and how it has changed. Net position, the difference between a districts assets and liabilities, is a common tool used by outside agencies to measure the district's fiscal health or determine its financial position. Over time, increases or decreases in the district's net position are an indicator of whether its financial position is improving or deteriorating.

The districts activities are divided into two categories in the district wide financial statements 1) Governmental activities and 2) Business-type activities. All of the district's activities are considered governmental activities for GASB reporting purposes.

Fund Financial Statements

Fund Financial Statements provide more detailed information about the district's specific funds, not the district as a whole. These are the familiar types of statements used for reporting purposes prior to the district's implementation of GASB 34. The purpose of Fund Financial Statements is to assist the district in keeping specific sources of funding separate due to State laws and restrictions on spending particular types of funds (i.e. Adult Education Fund is separate from the Deferred Maintenance Fund and the Cafeteria Fund, etc).

In Fund Accounting, there are three types of funds; 1) Governmental Funds 2) Proprietary Funds and 3) Fiduciary funds. The majority of the funds accounted for by Central Union High School District are governmental funds. The district uses governmental funds to account for all of the activities in the general fund, including collection and disbursement of earmarked money (Special Revenue Funds), the acquisition or construction of general fixed assets (Capital Project Funds) and the servicing of general long term debt (Debt Service Funds).

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The two forms of proprietary funds are enterprise funds and internal service funds. The district does not currently operate any proprietary funds.

Fiduciary funds are used to account for and manage assets that belong to others, such as scholarship funds or student activities funds. Fiduciary activities are reported in separate fiduciary statements. Their activities and operations are excluded from the district wide financial statements because the district cannot use these assets to finance its operations. The district does not currently operate any fiduciary funds, other than student body funds.

Financial Analysis of the District as a Whole

The Statement of Net Position and the Statement of Activities report information on the district as a whole rather than on individual funds. The following is a summary of the districts financial position as of June 30, 2013.

**Summary of Statement of
Net Position**

	<u>2012-13</u>	<u>2011-12</u>
Current and other assets	\$19,531,532	\$19,541,340
Capital assets	<u>61,337,693</u>	<u>62,156,322</u>
Total Assets	\$80,869,225	\$81,697,662
Long-term debt outstanding	\$14,839,926	\$15,858,940
Other liabilities	<u>257,007</u>	<u>2,913,534</u>
Total Liabilities	\$17,417,933	\$18,772,474
Net Investment in Capital Assets:	\$47,438,768	\$46,204,498
Restricted Expendable	3,667,190	3,506,444
Restricted for Educational Programs	1,463,285	1,217,435
Unrestricted and Nonexpendable	<u>10,882,049</u>	<u>11,996,811</u>
Total Net Position	\$63,451,292	\$62,925,188

Summary of Statement of Activities

	<u>2012-13</u>	<u>2011-12</u>
Program revenues	\$ 6,640,993	\$7,681,067
General revenues	<u>30,277,794</u>	<u>30,541,659</u>
Total Revenues	\$36,918,787	\$38,222,726
Expenses for instruction and related services	\$22,448,652	\$22,534,317
Student support services	4,660,659	4,916,809
General administration	2,237,177	2,328,447
Maintenance & operations	6,372,524	6,146,938
Other services	78,009	31,276
Interest on long-term debt	595,660	366,273
Other	<u>0</u>	<u>250,842</u>
Total Expenses	\$36,392,681	\$36,574,902
Net Change in Assets	\$526,106	\$1,647,824

Proprietary and Fiduciary Fund Types

The district does not currently operate any proprietary funds (i.e. Self Insurance funds, etc).

Fiduciary Fund Types

Central High School and Southwest High School both operate Associated Student Body accounts and as a whole, they had an operating surplus. The district operates no other Fiduciary funds.

Analysis of General Fund Budget

Over the course of the year, the district revised the annual operating budget several times. The following table is an analysis of the budget verses actual expenditures within the general fund.

Analysis of Budget Verses Actual

REVENUES	Budget	Actual	Variance Favorable (Unfavorable)
Revenue Limit Sources	23,680,621	23,803,461	122,839
Federal Revenues	3,193,637	2,550,620	(643,017)
State Revenues	4,595,089	4,757,839	162,750
Local Revenues	1,614,440	1,675,899	61,459
TOTAL	33,083,787	32,787,819	(295,969)
Expenditures			
Certificated Salaries	16,794,088	16,488,904	305,184
Classified Salaries	4,975,599	4,908,316	67,283
Employee Benefits	5,616,684	5,419,310	197,374
Supplies	2,189,942	1,387,019	802,923
Services	3,305,317	2,778,296	527,021
Capital Outlay	1,069,941	673,340	396,601
Other Outgo/Transfers Out	120,191	117,303	2,888
TOTAL	34,071,762	31,772,488	2,299,274

Capital Assets and Long-Term Debt Administration

Capital Assets

By the end of fiscal year 2012-13, the district had invested \$95,488,083 in land, school buildings, site improvements, vehicles, and equipment. Total book value of capital assets was \$61,337,693, net of \$34,150,390 in accumulated depreciation.

Long-Term Debt

At the end of the year, Central Union High School District had \$16,404,770 in long-term debt outstanding. This is a decrease from prior year of \$1,277,571.

The following table summarizes the district's long-term debt as of June 30, 2013.

Central Union High School District Outstanding Long-Term Debt

	Governmental Activities	
	2012-2013	2011-2012
GO Bonds Payable & Other LT Debt	11,920,000	13,375,000
Other Long Term Debt	4,364,926	3,999,617
Capital Leases Payable	0	191,961
Compensated Absences Payable	119,844	115,763
TOTAL	16,404,770	17,682,341

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Merritt Merten, Accountant, at (760) 336-4503 or at Central Union High School District, 351 Ross Avenue, El Centro, CA, 92243.

Basic Financial Statements

CENTRAL UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

EXHIBIT A-2

	Governmental Activities
ASSETS:	
Cash	\$ 12,433,190
Receivables	6,830,935
Stores	63,498
Prepaid Debt Issue Costs	203,909
Capital Assets:	
Land	8,163,553
Land Improvements	8,307,990
Buildings	72,720,061
Equipment	5,341,347
Work in Progress	955,132
Less Accumulated Depreciation	(34,150,390)
Total Assets	<u>80,869,225</u>
LIABILITIES:	
Accounts Payable	818,239
Deferred Revenue	194,924
Long-Term Liabilities:	
Due Within One Year	1,564,844
Due in More Than One Year	14,839,926
Total Liabilities	<u>17,417,933</u>
NET POSITION:	
Net Investment in Capital Assets	47,438,768
Restricted for:	
Capital Projects	673,340
Debt Service	1,623,253
Educational Programs	1,463,285
Other Purposes (Expendable)	1,370,597
Other Purposes (Nonexpendable)	5,957,432
Unrestricted	4,924,617
Total Net Position	<u>\$ 63,451,292</u>

The accompanying notes are an integral part of this statement.

CENTRAL UNION HIGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT:					
Government Activities:					
Instruction	\$ 18,191,695	\$ 80	\$ 2,969,732	\$ 1,327	(15,220,556)
Instruction-Related Services:					
Instructional Supervision and Administration	1,340,733	-	778,468	-	(562,265)
Instructional Library, Media and Technology	366,388	-	170,592	-	(195,796)
School Site Administration	2,549,836	-	125,804	-	(2,424,032)
Pupil Services:					
Home-to-School Transportation	926,735	-	235,591	-	(691,144)
Food Services	1,744,399	284,334	1,282,106	-	(177,959)
All Other Pupil Services	1,989,525	-	458,100	-	(1,531,425)
General Administration:					
Centralized Data Processing	535,472	-	-	-	(535,472)
All Other General Administration	1,701,705	13,405	181,564	-	(1,506,736)
Plant Services	5,710,430	23,168	110,651	-	(5,576,611)
Ancillary Services	662,094	-	-	-	(662,094)
Community Services	78,009	-	-	-	(78,009)
Interest on Long-Term Debt	595,660	-	-	-	(595,660)
Other Outgo	-	-	6,071	-	6,071
Total Governmental Activities	<u>36,392,681</u>	<u>320,987</u>	<u>6,318,679</u>	<u>1,327</u>	<u>(29,751,688)</u>
General Revenues:					
Taxes and Subventions					5,222,986
Federal and State Revenues, not restricted					24,029,876
Interest and Investment Earnings					67,893
Interagency Revenues					427,816
Miscellaneous					529,223
Total General Revenues					<u>30,277,794</u>
Change in Net Position					526,106
Net Position- Beginning					62,925,186
Net Position - Ending					<u>\$ 63,451,292</u>

The accompanying notes are an integral part of this statement.

CENTRAL UNION HIGH SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Cafeteria Fund
ASSETS:		
Cash in County Treasury	\$ 7,549,779	\$ 109,045
Cash in Revolving Fund	6,000	-
Accounts Receivable	6,475,973	291,147
Due from Other Funds	247,658	-
Stores Inventories	29,513	33,985
Total Assets	<u>14,308,923</u>	<u>434,177</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ 593,119	\$ 29,877
Due to Other Funds	-	243,804
Unearned Revenue	194,924	-
Total Liabilities	<u>788,043</u>	<u>273,681</u>
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	6,000	-
Stores Inventories	29,513	33,985
Restricted Fund Balances	1,463,285	126,511
Committed Fund Balances	-	-
Assigned Fund Balances	1,104,518	-
Unassigned:		
Reserve for Economic Uncertainty	10,917,564	-
Total Fund Balance	<u>13,520,880</u>	<u>160,496</u>
Total Liabilities and Fund Balances	<u>\$ 14,308,923</u>	<u>\$ 434,177</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

Special Reserve Fund For Capital Outlay Projects	Bond Interest & Redemption Fund	Other Governmental Funds	Total Governmental Funds
\$ 2,095,393	\$ 1,958,168	\$ 714,805	\$ 12,427,190
-	-	-	6,000
2,575	2,289	58,952	6,830,936
-	-	-	247,658
-	-	-	63,498
<u>2,097,968</u>	<u>1,960,457</u>	<u>773,757</u>	<u>19,575,282</u>
\$ -	\$ -	\$ 10,007	\$ 633,003
-	-	3,854	247,658
-	-	-	194,924
<u>-</u>	<u>-</u>	<u>13,861</u>	<u>1,075,585</u>
-	-	-	6,000
-	-	-	63,498
-	-	10,310	1,600,106
-	-	247,810	247,810
2,097,968	1,960,457	501,776	5,664,719
-	-	-	10,917,564
<u>2,097,968</u>	<u>1,960,457</u>	<u>759,896</u>	<u>18,499,697</u>
\$ <u>2,097,968</u>	\$ <u>1,960,457</u>	\$ <u>773,757</u>	\$ <u>19,575,282</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total fund balances, governmental funds		\$	18,499,697
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not reported in the funds, net of accumulated depreciation.			61,337,693
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unamatured interest owing at the end of the period was:			(185,237)
Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs on the statement of net position are:			203,909
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consisted of:			
	General obligation bonds	11,920,000	
	Compensated absences	119,844	
	Other general long-term debt	2,257,244	
	Net OPEB obligation	<u>2,107,682</u>	<u>(16,404,770)</u>
Total net position, governmental activities		\$	<u>63,451,292</u>

The accompanying notes are an integral part of this statement.

CENTRAL UNION HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>Cafeteria Fund</u>
Revenues:		
Revenue Limit Sources:		
State Apportionments	\$ 20,586,505	\$ -
Local Sources	3,216,957	-
Federal Revenue	2,550,620	1,190,862
Other State Revenue	4,757,838	96,735
Other Local Revenue	1,682,068	480,329
Total Revenues	<u>32,793,988</u>	<u>1,767,926</u>
Expenditures:		
Instruction	17,440,539	-
Instruction - Related Services	4,247,991	-
Pupil Services	2,819,715	1,732,920
Ancillary Services	670,215	-
Community Services	88,803	-
General Administration	2,167,023	81,697
Plant Services	4,139,203	141,200
Debt Service:		
Principal	191,961	-
Interest	7,039	-
Total Expenditures	<u>31,772,489</u>	<u>1,955,817</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,021,499</u>	<u>(187,891)</u>
Other Financing Sources (Uses):		
Transfers In	6,682	187,892
Transfers Out	(187,892)	-
Total Other Financing Sources (Uses)	<u>(181,210)</u>	<u>187,892</u>
Net Change in Fund Balance	840,289	1
Fund Balance, July 1	12,680,591	160,495
Fund Balance, June 30	<u>\$ 13,520,880</u>	<u>\$ 160,496</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-5

Special Reserve Fund For Capital Outlay Projects	Bond Interest & Redemption Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 20,586,505
-	-	-	3,216,957
-	-	93,663	3,835,145
-	21,188	53,381	4,929,142
21,584	1,864,225	302,832	4,351,038
<u>21,584</u>	<u>1,885,413</u>	<u>449,876</u>	<u>36,918,787</u>
-	-	258,225	17,698,764
-	-	8,965	4,256,956
-	-	13,241	4,565,876
-	-	-	670,215
-	-	-	88,803
-	-	12,080	2,260,800
1,293	-	658,273	4,939,969
100,000	1,455,000	-	1,746,961
101,446	471,580	-	580,065
<u>202,739</u>	<u>1,926,580</u>	<u>950,784</u>	<u>36,808,409</u>
(181,155)	(41,167)	(500,908)	110,378
-	-	-	194,574
-	-	(6,682)	(194,574)
-	-	(6,682)	-
(181,155)	(41,167)	(507,590)	110,378
2,279,123	2,001,624	1,267,486	18,389,319
<u>\$ 2,097,968</u>	<u>\$ 1,960,457</u>	<u>\$ 759,896</u>	<u>\$ 18,499,697</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Total change in fund balances, governmental funds \$ 110,378

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital Outlay: In governmental funds, the cost of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	1,055,271	
Depreciation expense	<u>(1,873,900)</u>	
Net		(818,629)

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

1,746,961

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the governmental-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:

(24,707)

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:

(492,928)

Amortization of debt issue premium or discount: In governmental funds, if debt is issued at a premium or discount it is recognized as an Other Financing Source or as an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is:

9,112

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:

(4,081)

Change in net position of governmental activities \$ 526,106

The accompanying notes are an integral part of this statement.

CENTRAL UNION HIGH SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2013

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	\$ 352,567
Total Assets	<u>352,567</u>
LIABILITIES:	
Due to Student Groups	\$ 352,567
Total Liabilities	<u>352,567</u>
NET POSITION:	
Total Net Position	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

A. Summary of Significant Accounting Policies

Central Union High School District (District) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's "California School Accounting Manual". The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting Entity

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

The District also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District, its component units or its constituents; and 2) The District or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the District.

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation. Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) 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, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Special Reserve Fund for Capital Outlay Projects. This fund exists primarily to provide for the accumulation of General Fund monies for capital outlay projects.

Bond Interest and Redemption Fund. This fund is used to account for the accumulation of resources for, and the repayment of district bonds, interest, and related costs.

Cafeteria Fund. This fund is used to account separately for federal, state, and local resources to operate the food service program.

In addition, the District reports the following fund types:

Special Revenue Funds: These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Capital Projects Funds: These funds account for the acquisition and/or construction of all major governmental general fixed assets.

Debt Service Funds. These funds account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

4. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

In accordance with Education Code Section 41001, the District maintains substantially all its cash in the Imperial County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with Imperial County Treasury was not available.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

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 expenditure when incurred.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	25-50
Building Improvements	15-25
Vehicles	5-15
Office Equipment	5-15
Computer Equipment	5-15

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

e. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year end.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

f. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures.

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

h. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of Imperial bills and collects the taxes for the District.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

i. Fund Balance Reserves and Designations

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

j. Minimum Fund Balance

The District has adopted a policy to maintain a minimum reserve of 16.7% of the annual general fund expenditures and other financing uses. The percentage is approximately an amount equivalent to two months of expenditures. If the reserve amount drops below 8.4%, a plan will be developed to recover the difference in two years. The minimum reserve shall apply towards the established minimum Reserve for Economic Uncertainties or an amount that meets or exceeds the requirements by law. The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints in use, the Reserve for Economic Uncertainties consists of balances that are otherwise unassigned.

k. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement #54, Fund 17 (Special Reserve for Other Than Capital Outlay) and Fund 20 (Special Reserve Fund for Postemployment Benefits) are merged with the General Fund for purposes of presentation in the audit report.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

I. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

m. GASB 63 Implementation

The District has implemented GASB Statement Number 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The purpose of this pronouncement is to improve financial reporting by standardizing the presentation of deferred inflows and outflows of resources and their effects on a government's net position. Transactions that result in consumption or acquisition of net assets in one period that are applicable to future periods as deferred outflows and inflows of resources are distinguished from assets and liabilities. Net position is the difference between 1) assets and deferred outflows of resources; and 2) liabilities and deferred inflows of resources. For the year ended June 30, 2013 the District did not have any items which would be considered deferred outflows and inflows of resources.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Excess of Expenditures Over Appropriations

As of June 30, 2013 expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
Cafeteria Fund:	
Classified salaries	\$ 48,660
Services and other operating expenditures	53,576

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

D. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Imperial County Treasury as part of the common investment pool (\$12,427,190 as of June 30, 2013). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$12,427,190. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

2. Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks (\$352,567 as of June 30, 2013) and in the revolving fund (\$6,000) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The Imperial County Investment Pool is rated AAA by Standard & Pools.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains an investment with the Imperial County Investment Pool with a fair value of \$12,427,190 and a book value of \$12,427,190. The weighted average days to maturity for this investment pool is 370 days.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

4. Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

E. Accounts Receivable

Accounts receivable at June 30, 2013 consisted of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Other Funds	Total
Federal Government:					
Federal programs	\$ 651,194	\$ 171,431	-	\$ -	\$ 822,625
State Government:					
Revenue Limit	5,036,394	-	-	-	5,036,394
Lottery	351,413	-	-	-	351,413
Other state programs	5,315	11,875	-	-	17,190
Local Sources:					
Interest	8,139	725	3,176	2,289	14,329
Other local sources	423,518	165,467	-	-	588,985
Totals	<u>\$ 6,475,973</u>	<u>\$ 349,498</u>	<u>\$ 3,176</u>	<u>\$ 2,289</u>	<u>\$ 6,830,936</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

F. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 8,163,553	\$ -	\$ -	\$ 8,163,553
Work in progress	8,633,887	1,076,705	8,755,460	955,132
Total capital assets not being depreciated	<u>16,797,440</u>	<u>1,076,705</u>	<u>8,755,460</u>	<u>9,118,685</u>
Capital assets being depreciated:				
Buildings	64,324,341	8,395,720	-	72,720,061
Site improvements	8,619,735	-	311,745	8,307,990
Equipment	4,691,297	650,050	-	5,341,347
Total capital assets being depreciated	<u>77,635,373</u>	<u>9,045,770</u>	<u>311,745</u>	<u>86,369,398</u>
Less accumulated depreciation for:				
Buildings	(24,241,229)	(1,285,133)	-	(25,526,362)
Site improvements	(4,886,091)	(338,812)	-	(5,224,903)
Equipment	(3,149,170)	(249,955)	-	(3,399,125)
Total accumulated depreciation	<u>(32,276,490)</u>	<u>(1,873,900)</u>	<u>-</u>	<u>(34,150,390)</u>
Total capital assets being depreciated, net	45,358,883	7,171,870	311,745	52,219,008
Governmental activities capital assets, net	<u>\$ 62,156,323</u>	<u>\$ 8,248,575</u>	<u>\$ 9,067,205</u>	<u>\$ 61,337,693</u>

Depreciation was charged to functions as follows:

Pupil Services	\$ 94,784
Ancillary Services	68
General Administration	48,008
Plant Services	1,731,040
	<u>\$ 1,873,900</u>

G. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2013 consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Cafeteria Fund	\$ 243,804	Temporary transfer/indirect
General Fund	Adult Education Fund	3,854	Administrative fees
	Total	<u>\$ 247,658</u>	

All amounts due are scheduled to be repaid within one year.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2013 consisted of the following:

Transfers From	Transfers To	Amount	Purpose
Capital Facilities Fund	General Fund	\$ 611	Administration fees
General Fund	Cafeteria Fund	187,892	Cafeteria contribution
County School Facilities Fund	General Fund	6,071	Reimbursement of expenses
	Total	<u>\$ 194,574</u>	

H. Accounts Payable

Accounts payable at June 30, 2013 consisted of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Total
Vendor payables	\$ 561,806	\$ 27,955	\$ 1,216	\$ 590,977
Payroll and related benefits	31,313	10,713	-	42,026
Totals	<u>\$ 593,119</u>	<u>\$ 38,668</u>	<u>\$ 1,216</u>	<u>\$ 633,003</u>

I. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

J. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2013 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 13,375,000	\$ -	\$ 1,455,000	\$ 11,920,000	\$ 1,345,000
Capital leases	191,961	-	191,961	-	-
Bond premium	305,938	-	27,619	278,319	-
Net OPEB obligation	1,614,754	709,047	216,119	2,107,682	-
Compensated absences *	115,763	4,081	-	119,844	119,844
Other long-term debt	2,078,925	-	100,000	1,978,925	100,000
Total governmental activities	<u>\$ 17,682,341</u>	<u>\$ 713,128</u>	<u>\$ 1,990,699</u>	<u>\$ 16,404,770</u>	<u>\$ 1,564,844</u>

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

2. Debt Service Requirements

Debt service requirements on long-term debt, net of OPEB obligation and premium at June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	Governmental Activities		
	Principal	Interest	Total
2014	\$ 1,564,844	\$ 527,812	\$ 2,092,656
2015	3,278,925	427,552	3,706,477
2016	1,465,000	324,135	1,789,135
2017	1,530,000	265,114	1,795,114
2018	1,595,000	203,115	1,798,115
2019-2023	3,750,000	429,225	4,179,225
2024-2028	835,000	62,443	897,443
Totals	<u>\$ 14,018,769</u>	<u>\$ 2,239,396</u>	<u>\$ 16,258,165</u>

3. General Obligation Bonds

General obligation bonds issued by the District as of June 30, 2013 consisted of the following:

	Issue Date	Interest Rate	Maturity Date	Original Issue Amount
1992 Election Series D	06/19/03	3.75-4.20%	08/01/27	\$ 1,415,000
2005 Refunding Bonds	06/30/05	3.50-4.00%	08/01/21	4,790,000
2011 Refunding Bonds	11/17/11	2.00-4.00%	08/01/24	9,165,000
Total GO Bonds				<u>\$ 15,370,000</u>

	Beginning Balance	Issued Current Year	Redeemed Current Year	Ending Balance
1992 Election Series D	\$ 1,090,000	\$ -	\$ 50,000	\$ 1,040,000
2005 Refunding Bonds	3,120,000	-	260,000	2,860,000
2011 Refunding Bonds	9,165,000	-	1,145,000	8,020,000
2011 Bond Premium	305,938	-	27,619	278,319
Total GO Bonds	<u>\$ 13,680,938</u>	<u>\$ -</u>	<u>\$ 1,482,619</u>	<u>\$ 12,198,319</u>

The annual requirements to amortize the bonds outstanding at June 30, 2013 are as follows:

<u>Year Ending June 30,</u>	Principal	Interest	Total
2014	\$ 1,345,000	\$ 429,366	\$ 1,774,366
2015	1,400,000	380,579	1,780,579
2016	1,465,000	324,135	1,789,135
2017	1,530,000	265,114	1,795,114
2018	1,595,000	203,115	1,798,115
2019-2023	3,750,000	429,225	4,179,225
2024-2028	835,000	62,443	897,443
Totals	<u>\$ 11,920,000</u>	<u>\$ 2,093,977</u>	<u>\$ 14,013,977</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

4. Other General Long Term Debt

Other General Long Term Debt as of June 30, 2013 consisted of the following:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Issue Amount</u>
Abatti Land Trust	11/23/09	5.00%	12/28/14	\$ <u>2,278,925</u>
	<u>Beginning Balance</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Ending Balance</u>
Abatti Land Trust	\$ <u>2,078,925</u>	\$ <u>-</u>	\$ <u>100,000</u>	\$ <u>1,978,925</u>

The annual requirements to amortize other general long-term debt outstanding at June 30, 2013 is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 100,000	\$ 98,446	\$ 198,446
2015	1,878,925	46,973	1,925,898
Totals	\$ <u>1,978,925</u>	\$ <u>145,419</u>	\$ <u>2,124,344</u>

K. Joint Ventures (Joint Powers Agreements)

The District participates in two joint powers agreements (JPA's) entities, the Imperial Valley Property and Liability (IVPL) and the Self Insurance Program of Imperial County (SIPIC). The relationship between the District and the JPA's is such that the JPA's are not component units of the District for financial reporting purposes.

The JPA's arrange for and provide workers' compensation, health, and property and liability insurance for its members. The JPA's are each governed by a board consisting of a representative from each member entity. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member entities beyond their representation on the board. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA's.

Combined condensed financial information of the District's JPA's for the year ended June 30, 2013 was not available as of the date of this report.

L. Employee Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the Public Employees' Retirement System (PERS).

PERS:

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

Funding Policy

Active plan members are required to contribute 7% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-13 was 11.417% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2013, 2012 and 2011 were \$579,345, \$438,680 and \$550,381, respectively, and equal 100% of the required contributions for each year.

STRS:

Plan Description

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

Funding Policy

Active plan members are required to contribute 8% 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 STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-13 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ending June 30, 2013, 2012 and 2011 were \$1,346,465, \$1,108,663 and \$1,353,273, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$844,576.

M. Postemployment Benefits Other Than Pension Benefits

Plan Description

The Central Union High School District (District) administers a single-employer healthcare plan (Plan). The District maintains the same plan for its retirees as for its active employees with the general exception that benefits end when the retiree attains age 65. Certificated members may retire with District-paid benefits at age 55 with at least 15 years of service with the District. Benefits continue until the retiree reaches age 65. The District's contribution towards medical benefits is limited to a monthly cap of \$628 per retiree. Classified members hired prior to July 1, 2005 may retire with District-paid benefits at age 55 with at least 10 years of service with the District. Classified employees hired on or after July 1, 2005 and before July 1, 2008 may retire with District-paid benefits at age 55 with at least 15 years of service with the District. Classified employees hired on or after July 1, 2008 may retire with District-paid benefits at age 55 with at least 20 years of service. Benefits continue until the retiree reaches age 65. The District's contribution towards medical benefits is limited to a monthly cap of \$700 per retiree. Health benefits for management retirees are subject to Board approval, and if approved, they follow the certificated guidelines as described above, except that management retirees do not receive District-paid life insurance. Retired board members do not receive District contributions towards benefits. They are eligible to self-pay for these benefits upon completing a full term of service on the governing board. Membership of the plan consists of approximately 325 eligible active employees, 33 eligible retirees, and excludes employees hired after the valuation date.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

Contribution Information

The contribution requirements of Plan members and the District are established and amended by the District and the Teachers Association (CEA) and the local California Service Employees Association (CSEA). The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2012-13, the District contributed \$216,119 to the Plan, which was primarily used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 723,289
Interest on net OPEB obligation	47,312
Adjustment to annual required contribution	(61,554)
Annual OPEB cost (expense)	<u>709,047</u>
Contribution made	<u>(216,119)</u>
Decrease in net OPEB obligation	492,928
Net OPEB obligation, beginning of year	1,614,754
Net OPEB obligation, end of year	<u>\$ 2,107,682</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2013 was as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2013	\$ 709,047	30%	\$ 2,107,682

Funding Status and Funding Progress

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, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing 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.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

In the July 1, 2011 actuarial valuation, the actuarial cost method used was Projected Unit Credit with service prorate. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the plan year. All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the Employer were included in the valuation

Medical cost trend rates ranged from an initial rate of 7.0% reduced to a rate of 5.0% after five years. The UAAL is being amortized at a level dollar method with the remaining amortization period at July 1, 2013 of 25 years. The actuarial value of assets was not determined in this actuarial valuation; however, any assets of the plan to be determined will be on a market basis.

N. Commitments and Contingencies

Litigation

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to view and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

Construction Commitments

As of June 30, 2013 the district had no significant construction commitments.

O. Subsequent Events

Effective for the fiscal year beginning July 1, 2013 the District is implementing GASB Statement Number 65, Items Previously Reported as Assets and Liabilities. The purpose of this pronouncement is to improve financial reporting by clarifying the appropriate use of the financial statement elements of deferred inflows and outflows of resources to ensure consistency in financial reporting. With implementation of this pronouncement, the District will recognize certain items previously reported as assets or liabilities as outflows of resources or inflows of resources.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CENTRAL UNION HIGH SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 18,664,942	\$ 20,432,821	\$ 20,586,505	\$ 153,684
Local Sources	2,892,481	3,247,800	3,216,957	(30,843)
Federal Revenue	2,582,017	3,193,637	2,550,620	(643,017)
Other State Revenue	4,745,939	4,595,089	4,757,838	162,749
Other Local Revenue	1,559,152	1,614,440	1,675,898	61,458
Total Revenues	<u>30,444,531</u>	<u>33,083,787</u>	<u>32,787,818</u>	<u>(295,969)</u>
Expenditures:				
Current:				
Certificated Salaries	16,551,112	16,794,088	16,488,900	305,188
Classified Salaries	4,984,488	4,975,599	4,908,325	67,274
Employee Benefits	5,633,183	5,616,684	5,419,303	197,381
Books And Supplies	1,810,166	2,189,942	1,387,021	802,921
Services And Other Operating Expenditures	2,996,301	3,305,317	2,778,297	527,020
Direct Support/Indirect Costs	(85,543)	(78,809)	(81,697)	2,888
Capital Outlay	51,420	1,069,941	673,340	396,601
Debt Service:				
Principal	152,638	191,961	191,961	-
Interest	6,562	7,039	7,039	-
Total Expenditures	<u>32,100,327</u>	<u>34,071,762</u>	<u>31,772,489</u>	<u>2,299,273</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,655,796)</u>	<u>(987,975)</u>	<u>1,015,329</u>	<u>2,003,304</u>
Other Financing Sources (Uses):				
Transfers In	-	(6,682)	6,682	13,364
Transfers Out	-	(34,399)	(187,892)	(153,493)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(41,081)</u>	<u>(181,210)</u>	<u>(140,129)</u>
Net Change in Fund Balance	<u>(1,655,796)</u>	<u>(1,029,056)</u>	<u>834,119</u>	<u>1,863,175</u>
Fund Balance, July 1	<u>11,582,242</u>	<u>11,582,242</u>	<u>11,582,242</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 9,926,446</u>	<u>\$ 10,553,186</u>	<u>\$ 12,416,361</u>	<u>\$ 1,863,175</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
CAFETERIA FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT B-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal Revenue	\$ 1,394,052	\$ 1,377,876	\$ 1,190,862	\$ (187,014)
Other State Revenue	117,895	116,741	96,735	(20,006)
Other Local Revenue	599,593	599,593	480,329	(119,264)
Total Revenues	<u>2,111,540</u>	<u>2,094,210</u>	<u>1,767,926</u>	<u>(326,284)</u>
Expenditures:				
Current:				
Classified Salaries	589,068	583,321	631,981	(48,660)
Employee Benefits	212,838	205,166	180,754	24,412
Books And Supplies	862,828	892,315	731,581	160,734
Services And Other Operating Expenditures	244,707	276,228	329,804	(53,576)
Direct Support/Indirect Costs	85,543	85,543	81,697	3,846
Total Expenditures	<u>1,994,984</u>	<u>2,042,573</u>	<u>1,955,817</u>	<u>86,756</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>116,556</u>	<u>51,637</u>	<u>(187,891)</u>	<u>(239,528)</u>
Other Financing Sources (Uses):				
Transfers In	-	34,339	187,892	153,553
Total Other Financing Sources (Uses)	<u>-</u>	<u>34,339</u>	<u>187,892</u>	<u>153,553</u>
Net Change in Fund Balance	<u>116,556</u>	<u>85,976</u>	<u>1</u>	<u>(85,975)</u>
Fund Balance, July 1	160,495	160,495	160,495	-
Fund Balance, June 30	<u>\$ 277,051</u>	<u>\$ 246,471</u>	<u>\$ 160,496</u>	<u>\$ (85,975)</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS-HEALTH BENEFITS PLAN
YEAR ENDED JUNE 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/09	\$ -	\$ 5,053,311	\$ 5,053,311	-	\$ 23,554,527	21.5%
6/30/11	-	5,631,360	5,631,360	-	22,063,872	25.5%

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013

Budgetary Comparison Schedule - General Fund

As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District's Special Reserve Fund for Other Than Capital Outlay (Fund 17) and Special Reserve Fund for Postemployment Benefits (Fund 20) were included with the General Fund. The Budgetary Comparison Schedule included in the Required Supplementary Information is based on the legally adopted budget for the General Fund only.

Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

CENTRAL UNION HIGH SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue Fund <u>Adult Education Fund</u>	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:			
Cash in County Treasury	\$ 202,104	\$ 512,701	\$ 714,805
Accounts Receivable	58,351	601	58,952
Total Assets	<u>260,455</u>	<u>513,302</u>	<u>773,757</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 8,791	\$ 1,216	\$ 10,007
Due to Other Funds	3,854	-	3,854
Total Liabilities	<u>12,645</u>	<u>1,216</u>	<u>13,861</u>
Fund Balance:			
Nonspendable Fund Balances:			
Restricted Fund Balances	-	10,310	10,310
Committed Fund Balances	247,810	-	247,810
Assigned Fund Balances	-	501,776	501,776
Total Fund Balance	<u>247,810</u>	<u>512,086</u>	<u>759,896</u>
Total Liabilities and Fund Balances	<u>\$ 260,455</u>	<u>\$ 513,302</u>	<u>\$ 773,757</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue Fund		Total Nonmajor Governmental Funds (See Exhibit A-5)
	Adult Education Fund	Capital Projects Funds	
Revenues:			
Federal Revenue	\$ 93,663	\$ -	\$ 93,663
Other State Revenue	53,381	-	53,381
Other Local Revenue	200,182	102,650	302,832
Total Revenues	<u>347,226</u>	<u>102,650</u>	<u>449,876</u>
Expenditures:			
Instruction	258,225	-	258,225
Instruction - Related Services	8,965	-	8,965
Pupil Services	13,241	-	13,241
General Administration	-	12,080	12,080
Plant Services	-	658,273	658,273
Total Expenditures	<u>280,431</u>	<u>670,353</u>	<u>950,784</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>66,795</u>	<u>(567,703)</u>	<u>(500,908)</u>
Other Financing Sources (Uses):			
Transfers Out	-	(6,682)	(6,682)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(6,682)</u>	<u>(6,682)</u>
Net Change in Fund Balance	66,795	(574,385)	(507,590)
Fund Balance, July 1	181,015	1,086,471	1,267,486
Fund Balance, June 30	<u>\$ 247,810</u>	<u>\$ 512,086</u>	<u>\$ 759,896</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2013

	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>	<u>Total Nonmajor Capital Projects Funds (See Exhibit C-1)</u>
ASSETS:			
Cash in County Treasury	\$ 501,284	\$ 11,417	\$ 512,701
Accounts Receivable	601	-	601
Total Assets	<u>501,885</u>	<u>11,417</u>	<u>513,302</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 166	\$ 1,050	\$ 1,216
Total Liabilities	<u>166</u>	<u>1,050</u>	<u>1,216</u>
Fund Balance:			
Nonspendable Fund Balances:			
Restricted Fund Balances	-	10,310	10,310
Assigned Fund Balances	501,719	57	501,776
Total Fund Balance	<u>501,719</u>	<u>10,367</u>	<u>512,086</u>
 Total Liabilities and Fund Balances	 <u>\$ 501,885</u>	 <u>\$ 11,417</u>	 <u>\$ 513,302</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Capital Facilities Fund	County School Facilities Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:			
Other Local Revenue	\$ 95,252	\$ 7,398	\$ 102,650
Total Revenues	<u>95,252</u>	<u>7,398</u>	<u>102,650</u>
Expenditures:			
General Administration	12,080	-	12,080
Plant Services	18,036	640,237	658,273
Total Expenditures	<u>30,116</u>	<u>640,237</u>	<u>670,353</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>65,136</u>	<u>(632,839)</u>	<u>(567,703)</u>
Other Financing Sources (Uses):			
Transfers Out	(611)	(6,071)	(6,682)
Total Other Financing Sources (Uses)	<u>(611)</u>	<u>(6,071)</u>	<u>(6,682)</u>
Net Change in Fund Balance	64,525	(638,910)	(574,385)
Fund Balance, July 1	437,194	649,277	1,086,471
Fund Balance, June 30	<u>\$ 501,719</u>	<u>\$ 10,367</u>	<u>\$ 512,086</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

Supplementary Information Section

CENTRAL UNION HIGH SCHOOL DISTRICT
LOCAL EDUCATION AGENCY
ORGANIZATION STRUCTURE
JUNE 30, 2013

The Central Union High School District was established in 1908, and is comprised of an area of El Centro, Heber, and Seeley in Imperial County. There were no changes in the boundaries of the district during the current year. The district is currently operating two high schools. The district also maintains a continuation high school and an adult education program.

<u>Governing Board</u>		
<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Steve Walker	President	Four year term Expires November 30, 2016
Emma L. Jones	Clerk	Four year term Expires November 30, 2014
Jacinto Jimenez	Member	Four year term Expires November 30, 2016
Jeanne Vogel	Member	Four year term Expires November 30, 2014
Ryan Childers	Member	Four year term Expires November 30, 2016

Administration

C. Thomas Budde, PHD
Superintendent

Sheri Hart
Assistant Superintendent

Carol Moreno
Director of Human Resources

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2013

TABLE D-1

	Second Period Report *		Annual Report *	
	Original	Revised	Original	Revised
High School:				
Grades 9 through 12, regular classes	3,686.06	N/A	3,666.78	N/A
Special education	47.04	N/A	46.77	N/A
Continuation education	164.81	N/A	162.86	N/A
High school totals	<u>3,897.91</u>	<u>N/A</u>	<u>3,876.41</u>	<u>N/A</u>
ADA totals	<u>3,897.91</u>	<u>N/A</u>	<u>3,876.41</u>	<u>N/A</u>

* N/A-There were no audit adjustments to the Second Period or Annual reports of attendance.

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

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2013

TABLE D-2

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1982-83 Adjusted & Reduced</u>	<u>1986-87 Minutes Requirement</u>	<u>1986-87 Adjusted & Reduced</u>	<u>2012-13 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Grade 9	61,250	59,549	64,800	63,000	65,889	180	-	Complied
Grade 10	61,250	59,549	64,800	63,000	65,889	180	-	Complied
Grade 11	61,250	59,549	64,800	63,000	65,889	180	-	Complied
Grade 12	61,250	59,549	64,800	63,000	65,889	180	-	Complied

Districts, including basic aid districts, must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by Education Code Section 46201. This schedule is required of all districts, including basic aid districts.

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 instruction time offered by the district and whether the district complied with the provisions of Education Code Sections 46200 through 46206.

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2013

TABLE D-3

General Fund	Budget 2014 (See Note 1)	2013	2012	2011
Revenues and other financial sources	\$ 33,966,864	\$ 32,794,500	\$ 33,450,245	\$ 33,546,660
Expenditures and other uses and transfers out	36,772,534	31,960,381	32,729,088	32,196,955
Change in fund balance (deficit)	(2,805,670)	834,119	721,157	1,349,705
Ending fund balance	\$ 9,610,691	\$ 12,416,361	\$ 11,582,242	\$ 10,861,085
Available reserves	\$ 8,780,671	\$ 10,917,562	\$ 10,321,547	\$ 9,546,214
Available reserves as a percentage of total outgo	23.9%	34.1%	31.5%	29.7%
Total long-term debt	\$ 14,839,926	\$ 16,404,770	\$ 17,682,341	\$ 16,140,500
Average daily attendance at P-2	3,898	3,898	3,837	3,845

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.

The general fund balance has increased by \$3,232,856 over the past three years. The fiscal year 2013-14 budget projects a decrease of \$2,805,670. For a district this size, the state recommends available reserves of at least 3% of general fund expenditures, other uses and transfers out.

Long-term debt has decreased by \$546,856 over the past three years.

Average daily attendance (ADA) has increased by 30 over the past three years.

Notes:

- 1 Budget 2014 is included for analytical purposes only and has not been subjected to audit.
- 2 As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement #54, the District's Special Reserve Fund for Other Than Capital Outlay (Fund 17) and Special Reserve Fund for Postemployment Benefits (Fund 20) were included with the General Fund. The above Schedule of Financial Trends and Analysis contains only the financial information of the General Fund.

CENTRAL UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

TABLE D-4

	General Fund	Special Reserve Fund for Capital Outlay Projects	Special Reserve Fund for Postemployment Benefits
June 30, 2013, annual financial and budget report fund balances	\$ <u>12,416,361</u>	\$ <u>6,224</u>	\$ <u>1,098,295</u>
Adjustments and reclassifications:			
Increasing (decreasing) the fund balance:			
GASB #54 inclusion of special reserve funds	<u>1,104,519</u>	<u>(6,224)</u>	<u>(1,098,295)</u>
June 30, 2013, audited financial statement fund balances	\$ <u><u>13,520,880</u></u>	<u><u>-</u></u>	\$ <u><u>-</u></u>
	Schedule of Long-Term Liabilities		
June 30, 2013, annual financial and budget report total liabilities	\$ <u>16,716,880</u>		
Adjustments and reclassifications:			
Increase (decrease) in total liabilities:			
Compensated absences understatement	61,591		
General obligation bonds understatement	470,000		
Bond premium understatement	278,319		
Net OPEB obligation overstatement	<u>(1,122,020)</u>		
Net adjustments and reclassifications	<u>(312,110)</u>		
June 30, 2013, audited financial statement total liabilities	\$ <u><u>16,404,770</u></u>		

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2013

TABLE D-5

No charter schools are chartered by Central Union High School District.

<u>Charter Schools</u>	<u>Included In Audit?</u>
None	N/A

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

TABLE D-6

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Program:			
Medi-Cal Billing Option *	93.778	-	\$ 36,319
Total U. S. Department of Health and Human Services			<u>36,319</u>
U. S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
Adult Education	84.002	14508	93,663
Title I Part A *	84.010	14329	799,067
Title I Part A Program Improvement *	84.010	14956	36,128
Migrant Education	84.011	14326	261,865
Migrant Education Summer	84.011	10005	62,821
Special Education: IDEA Basic *	84.027	13379	712,837
Special Education: IDEA Mental Health *	84.027	14468	126,834
Vocational Education	84.048	14894	105,534
Title II EETT *	84.318	14334	8,711
Gear Up Program	84.334	10088	24,753
Title III LEP	84.365	10084	153,167
Title III Immigrant Education	84.365	15146	13,305
Title II Teacher Quality	84.367	14341	138,633
Advanced Placement	84.369	14363	3,087
Total Passed Through State Department of Education			<u>2,540,405</u>
Total U. S. Department of Education			<u>2,540,405</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	13526	178,812
Child Nutrition: National School Lunch Section 11 *	10.555	13396	874,934
Child Nutrition: National School Lunch Section 4 *	10.555	13391	132,972
Child Nutrition: Meal Supplement *	10.555	23165	4,144
Child Nutrition: Noncash Commodities *	10.555	-	85,195
Total Passed Through State Department of Education			<u>1,276,057</u>
Total U. S. Department of Agriculture			<u>1,276,057</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,852,781</u>

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Central Union High School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB 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 general purpose financial statements.

Other Independent Auditor's Reports

Wilkinson Hadley King & Co. LLP
CPAs and Advisors
218 W. Douglas Ave
El Cajon, CA 92020

Independent Auditor's 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

Board of Trustees
Central Union High School District
El Centro, California

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Central Union High School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Central Union High School District's basic financial statements, and have issued our report thereon dated December 11, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 11, 2013

Wilkinson Hadley King & Co. LLP
CPAs and Advisors
218 W. Douglas Ave
El Cajon, CA 92020

Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by OMB Circular A-133

Board of Trustees
Central Union High School District
El Centro, California

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Central Union High School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Central Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Central Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Central Union High School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Central Union High School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Central Union High School District's internal control over compliance.

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

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

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

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 11, 2013

Wilkinson Hadley King & Co. LLP
CPAs and Advisors
218 W. Douglas Ave
El Cajon, CA 92020

Independent Auditor's Report on State Compliance

Board of Trustees
Central Union High School District
El Centro, California

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13*, published by the California Education Audit Appeals Panel that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2013.

Management's Responsibility for State Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13* published by the Education Audit Appeals Panel. 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 the State's audit guide *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13* published by the Education Audit Appeals Panel. Those standards and audit guide 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 direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the 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 the District's compliance with those requirements.

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

<u>Description</u>	<u>Procedures In Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	N/A
Independent Study	23	No
Continuation Education	10	Yes

Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	N/A
Instructional Materials, General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	N/A
GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	N/A
Class Size Reduction (Including Charter Schools):		
General Requirements	7	N/A
Option One	3	N/A
Option Two	4	N/A
Only One School Serving Grades K-3	4	N/A
After School Education and Safety Program:		
General Requirements	4	N/A
After School	5	N/A
Before School	6	N/A
Charter Schools		
Contemporaneous Records of Attendance	1	N/A
Mode of Instruction	1	N/A
Nonclassroom-Based Instruction/Independent Study	15	N/A
Determination of Funding for Nonclassroom-Based Instruction	3	N/A
Annual Instructional Minutes - Classroom Based	4	N/A

The term "N/A" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

We did not perform testing for Independent Study. The procedure was not required to be performed since the ADA was below the level that requires testing.

Opinion on State Compliance

In our opinion, Central Union High School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2013.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with *Standards and Procedures for Audits of California K-12 Local Education Agencies*, published by the Education Audit Appeals Panel in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 11, 2013

Findings and Recommendations Section

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.011	Migrant Education
84.048	Vocational Education

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with Standards and Procedures for Audits of California K-12 Local Education Agencies? Yes No

Type of auditor's report issued on compliance for state programs: Unmodified

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

None

**CENTRAL UNION HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no findings reported in the 2012 audit.		

