

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

AUDIT REPORT

JUNE 30, 2010

**Wilkinson Hadley King & Co. LLP
CPA's and Advisors
218 W. Douglas Avenue
El Cajon, CA 92020**

Introductory Section

Central Union High School District
 Audit Report
 For The Year Ended June 30, 2010

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Financial Section

Wilkinson Hadley King & Co. LLP
CPA's and Advisors
218 W. Douglas Avenue
El Cajon, CA 92020

Independent Auditor's Report on Financial Statements

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

Members of the Board of Trustees:

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 as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Central Union High School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to 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, 2010, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2010, 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* and should be considered in assessing the results of our audit.

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Central Union High School District's financial statements as a whole. The introductory section and combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying 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 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 2009-10*, published by the Education Audit Appeals Panel, and is also not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Wilkinson Hadley King & Co., LLP

El Cajon, California
November 23, 2010

Management Discussion and Analysis For the Central Union High School District For the Fiscal Year Ended June 30, 2010 (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, 2010. 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 2009-10.

Financial Highlights

- The district's total net assets were \$53,542,951 as of June 30, 2010. This represents a \$1,719,418 decrease from the audited beginning balance of \$55,262,009.
- Total General and Program Revenues were \$35,473,644 as compared to \$37,193,062 in expenditures.
- Average Daily Attendance decreased by 35.49 students; from 3,940.98 in 2008-09 to 3,905.49 in 2009-10.

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 Assets
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 Assets and the Statement of Activities. The Statement of Net Assets 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 assets and how they have changed. Net assets, the difference between a district's 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 assets are an indicator of whether its financial position is improving or deteriorating.

The district's 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 Assets 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, 2010

Summary of Statement of Net Assets	<u>2008-09</u>	<u>2009-10</u>
Current and other assets	\$16,861,227	\$15,592,330
Capital assets	<u>57,051,496</u>	<u>55,825,244</u>
Total assets	\$73,912,723	\$71,417,574
Long-term debt outstanding	\$17,595,549	\$16,951,626
Other liabilities	<u>880,874</u>	<u>923,357</u>
Total liabilities	\$18,476,423	\$17,874,983
Net assets invested in capital assets, net of related debt	\$39,928,386	\$39,919,221
Restricted expendable		9,551,393
Restricted for educational programs	15,507,914	7,710,274
Unrestricted and nonexpendable	<u>0</u>	<u>2,361,703</u>
Total Net Assets	\$55,436,300	\$53,542,591

Summary of Statement of Activities	<u>2008-09</u>	<u>2009-10</u>
Program revenues	\$ 11,777,267	\$ 7,316,168
General revenues	<u>30,400,086</u>	<u>28,157,476</u>
Total Revenues	\$42,177,353	\$35,473,644
Expenses for instruction and related services	\$ 23,476,826	\$23,166,767
Student support services	4,777,373	4,837,383
General administration	2,442,354	2,414,377
Maintenance & operations	6,019,383	5,903,176
Other services	747,648	134,849
Interest on long-term debt	780,766	733,300
Other	<u>641,043</u>	<u>3,210</u>
Total Expenses	\$ 38,885,393	\$37,193,062
Net Change in Assets	\$ 3,291,960	\$(1,719,418)

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)	% Variance
Revenue Limit Sources	22,386,670	22,344,107	(42,563)	-.19%
Federal Revenues	4,024,114	3,512,124	(511,990)	-12.72%
State Revenues	4,992,061	4,409,945	(582,116)	-11.66%
Local Revenues	1,846,423	1,810,793	(35,630)	-3.00%
TOTAL	33,249,268	32,076,969	(1,172,299)	-3.52%
Expenditures				
Certificated Salaries	17,575,552	16,856,209	719,343	4.09%
Classified Salaries	5,685,857	5,399,895	285,962	5.02%
Employee Benefits	5,830,931	5,503,896	327,035	5.60%
Supplies	3,488,779	1,536,982	1,951,797	55.94%
Services	3,194,219	2,766,334	427,885	13.39%
Capital Outlay	649,639	586,962	62,677	9.64%
Other Outgo/Transfers Out	(85,892)	(78,724)	(7,168)	-8.34%
TOTAL	36,339,085	32,571,554	3,767,531	11.00%

Capital Assets and Long-Term Debt Administration

Capital Assets

By the end of fiscal year 2009-10, the district had invested \$84,281,223 in land, school buildings, site improvements, vehicles, and equipment. Total book value of capital assets was \$55,825,245, net of \$28,455,978 in accumulated depreciation.

Long-Term Debt

At the end of the year, Central Union High School District had \$16,951,625 in long-term debt outstanding. This is a decrease from prior year of \$807, 923.

The following table summarizes the district's long-term debt as of June 30, 2010.

Central Union High School District			
Outstanding Long-Term Debt			
Governmental Activities			
	2008-2009	2009-2010	Total Percentage Change
GO Bonds Payable & Other LT Debt	16,515,000	15,430,000	-6.57%
Other Long Term Debt	495,785	476,025	-3.99%
Capital Leases Payable	608,110	946,239	5.56%
Compensated Absences Payable	140,654	99,362	-2.94%
TOTAL	17,759,549	16,951,626	-4.45%

Factors Bearing on the District's Future

The most important factor that could have a significant impact on the district's financial future is the condition of the State economy. The economic environment in the state is unstable and revenue forecasts have continued to fall short of State projections. There is a strong possibility of Mid-year budget cuts in 2010-11. Significant cuts to the education budget could have a negative financial impact on the financial health of the district.

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 ASSETS
JUNE 30, 2010

	Governmental Activities
ASSETS:	
Cash in County Treasury	\$ 9,405,168
Cash in Revolving Fund	6,000
Accounts Receivable	6,050,013
Stores Inventories	131,148
Capital Assets:	
Land	5,671,004
Land Improvements	8,505,215
Buildings	64,324,341
Equipment	4,442,226
Work in Progress	1,338,437
Less Accumulated Depreciation	(28,455,978)
Total Assets	<u>71,417,574</u>
LIABILITIES:	
Accounts Payable	489,591
Deferred Revenues	433,766
Long-Term Liabilities:	
Due within One Year	1,362,970
Due in More Than One Year	15,588,656
Total Liabilities	<u>17,874,983</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	39,919,221
Restricted For:	
Capital Projects	586,961
Debt Service	1,263,609
Educational Programs	1,710,274
Other Purposes (expendable)	7,700,823
Other Purposes (nonexpendable)	2,361,703
Unrestricted	-
Total Net Assets	<u>\$ 53,542,591</u>

The accompanying notes are an integral part of this statement.

CENTRAL UNION HIGH SCHOOL DISTRICTSTATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
PRIMARY GOVERNMENT:					
Government Activities:					
Instruction	\$ 18,578,444	\$ 54,886	\$ 3,102,128	\$ 16	\$ (15,421,414)
Instruction-Related Services	4,588,323	-	937,114	-	(3,651,209)
Pupil Services	4,837,383	346,010	2,352,236	-	(2,139,137)
General Administration	2,414,377	20,475	332,375	-	(2,061,527)
Plant Services	5,323,057	19,824	96,422	-	(5,206,811)
Ancillary Services	580,119	-	54,682	-	(525,437)
Community Services	134,849	-	-	-	(134,849)
Interest on Long-Term Debt	733,300	-	-	-	(733,300)
Other Outgo	3,210	-	-	-	(3,210)
Total Governmental Activities	37,193,062	441,195	6,874,957	16	(29,876,894)
Total Primary Government	\$ 37,193,062	\$ 441,195	\$ 6,874,957	\$ 16	(29,876,894)
General Revenues:					
Taxes and Subventions					4,857,728
Federal and State Revenues,					22,354,196
Interest and Investment Earnings					194,496
Interagency Revenues					532,648
Miscellaneous					218,408
Total General Revenues					28,157,476
Change in Net Assets					(1,719,418)
Net Assets - Beginning					55,262,009
Net Assets - Ending					\$ 53,542,591

The accompanying notes are an integral part of this statement.

CENTRAL UNION HIGH SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2010

	General Fund	Adult Education Fund	Cafeteria Fund
ASSETS:			
Cash in County Treasury	\$ 4,211,334	\$ 49,748	\$ 42,479
Cash in Revolving Fund	6,000	-	-
Accounts Receivable	5,624,117	51,601	100,168
Due from Other Funds	216,872	-	-
Stores Inventories	65,453	-	65,695
Total Assets	<u>\$ 10,123,776</u>	<u>\$ 101,349</u>	<u>\$ 208,342</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 178,629	\$ 283	\$ 15,184
Due to Other Funds	-	94,719	122,153
Deferred Revenue	433,766	-	-
Total Liabilities	<u>612,395</u>	<u>95,002</u>	<u>137,337</u>
Fund Balance:			
Reserved Fund Balances:			
Reserve for Revolving Cash	6,000	-	-
Reserve for Stores Inventories	65,451	-	65,695
Reserve for Legally Restricted Balance	1,755,221	-	-
Designated Fund Balances:			
Designated for Economic Uncertainties	1,317,248	-	-
Other Designated	6,367,461	-	-
Unreserved	-	6,347	5,310
Unreserved, reported in nonmajor:			
Capital Projects Funds	-	-	-
Total Fund Balance	<u>9,511,381</u>	<u>6,347</u>	<u>71,005</u>
Total Liabilities and Fund Balances	<u>\$ 10,123,776</u>	<u>\$ 101,349</u>	<u>\$ 208,342</u>

The accompanying notes are an integral part of this statement.

Special Reserve Fund	Bond Interest & Redemption Fund	Other Governmental Funds	Total Governmental Funds
\$ 3,111,168	\$ 1,599,772	\$ 390,667	\$ 9,405,168
-	-	-	6,000
9,541	4,647	259,939	6,050,013
-	-	-	216,872
-	-	-	131,148
<u>\$ 3,120,709</u>	<u>\$ 1,604,419</u>	<u>\$ 650,606</u>	<u>\$ 15,809,201</u>
\$ -	\$ -	\$ 493	\$ 194,589
-	-	-	216,872
-	-	-	433,766
<u>-</u>	<u>-</u>	<u>493</u>	<u>845,227</u>
-	-	-	6,000
-	-	-	131,146
-	-	-	1,755,221
-	-	-	1,317,248
-	-	-	6,367,461
3,120,709	1,604,419	-	4,736,785
-	-	650,113	650,113
<u>3,120,709</u>	<u>1,604,419</u>	<u>650,113</u>	<u>14,963,974</u>
<u>\$ 3,120,709</u>	<u>\$ 1,604,419</u>	<u>\$ 650,606</u>	<u>\$ 15,809,201</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2010

Total fund balances - governmental funds balance sheet	\$ 14,963,974
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds, net of accumulated depreciation.	55,825,244
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 unmatu- red interest owing at the end of the period was:	(295,001)
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consisted of:	(16,951,626)
Net assets of governmental activities - statement of net assets	\$ <u>53,542,591</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, 2010

	General Fund	Adult Education Fund	Cafeteria Fund
Revenues:			
Revenue Limit Sources:			
State Apportionments	\$ 18,846,438	\$ -	\$ -
Local Sources	3,497,669	-	-
Federal Revenue	3,512,124	82,407	1,063,895
Other State Revenue	4,409,945	-	89,103
Other Local Revenue	1,810,793	-	566,288
Total Revenues	<u>32,076,969</u>	<u>82,407</u>	<u>1,719,286</u>
Expenditures:			
Instruction	17,975,629	61,949	-
Instruction - Related Services	4,579,457	3,489	-
Pupil Services	3,025,407	16,969	1,748,091
Ancillary Services	580,120	-	-
Community Services	146,593	-	-
General Administration	2,167,714	-	81,934
Plant Services	4,093,424	-	103,981
Other Outgo	3,210	-	-
Debt Service:			
Principal	132,085	-	-
Interest	27,115	-	-
Total Expenditures	<u>32,730,754</u>	<u>82,407</u>	<u>1,934,006</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(653,785)</u>	<u>-</u>	<u>(214,720)</u>
Other Financing Sources (Uses):			
Transfers In	63,185	-	201,970
Transfers Out	(202,905)	-	-
Total Other Financing Sources (Uses)	<u>(139,720)</u>	<u>-</u>	<u>201,970</u>
Net Change in Fund Balance	(793,505)	-	(12,750)
Fund Balance, July 1	10,304,886	6,347	83,755
Fund Balance, June 30	<u>\$ 9,511,381</u>	<u>\$ 6,347</u>	<u>\$ 71,005</u>

The accompanying notes are an integral part of this statement.

Special Reserve Fund	Bond Interest & Redemption Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 18,846,438
-	-	-	3,497,669
-	-	-	4,658,426
-	12,140	-	4,511,188
49,370	1,085,151	438,024	3,949,626
<u>49,370</u>	<u>1,097,291</u>	<u>438,024</u>	<u>35,463,347</u>
-	-	-	18,037,578
-	-	-	4,582,946
-	-	-	4,790,467
-	-	-	580,120
-	-	-	146,593
-	-	142,555	2,392,203
-	-	93,821	4,291,226
-	-	-	3,210
-	1,085,000	-	1,217,085
-	722,652	-	749,767
-	<u>1,807,652</u>	<u>236,376</u>	<u>36,791,195</u>
49,370	(710,361)	201,648	(1,327,848)
-	-	935	266,090
-	-	(63,185)	(266,090)
-	-	(62,250)	-
49,370	(710,361)	139,398	(1,327,848)
3,071,339	2,314,780	510,715	16,291,822
<u>\$ 3,120,709</u>	<u>\$ 1,604,419</u>	<u>\$ 650,113</u>	<u>\$ 14,963,974</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, 2010

Net change in fund balances - total governmental funds \$ (1,327,848)

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	705,671	
Depreciation expense	<u>(1,931,927)</u>	
Net		(1,226,256)

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: 1,412,515

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: (178,965)

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: (450,454)

Earned but unavailable revenues: In governmental funds, revenues are recognized only to the extent they are "available," meaning they will be collected soon enough after the end of the period to finance expenditures of that period. In the government-wide statements, revenues are recognized when earned, regardless of availability. The amount of earned but unavailable revenues relating to the current period, less revenues that became available in the current period but related to a prior period is: 10,298

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: 41,292

Change in net assets of governmental activities - statement of activities \$ (1,719,418)

The accompanying notes are an integral part of this statement.

CENTRAL UNION HIGH SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2010

	Agency Fund	Student Body Fund
ASSETS:		
Cash on Hand and in Banks	\$ 428,090	
Total Assets	<u>\$ 428,090</u>	
LIABILITIES:		
Due to Student Groups	\$ 428,090	
Total Liabilities	<u>\$ 428,090</u>	
NET ASSETS:		
Total Net Assets	<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, 2010

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 assets 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, 2010

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 Other than Capital Outlay. This fund is used to to account for funds reserved for specific uses.

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.

Adult Education Fund. This fund is used to separately account for the operations of the adult education program of the District.

Cafeteria Fund. This fund is used to separately account for the food service operations of the District.

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.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

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.

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.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

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.

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 assets.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

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.

i. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. The reserve for revolving fund and reserve for stores inventory reflect the portions of fund balance represented by revolving fund cash and stores inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

j. 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.

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, 2010 expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Other outgo	\$ 7,168
Adult Education Fund:	
Classified salaries	1,306
Employee benefits	4,014
Services and other operating expenditures	510

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

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 (\$9,405,168 as of June 30, 2010). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$9,405,168. 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 (\$428,090 as of June 30, 2010) 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. At year end, the District was not exposed to credit risk.

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. At year end, the District was not exposed to interest rate risk.

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.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

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, 2010 consisted of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Other Funds	Total
Federal Government:					
Federal programs	\$ 713,319	\$ 51,509	-	\$ -	\$ 764,828
State Government:					
Revenue Limit	4,284,778	-	-	-	4,284,778
Lottery	266,499	-	-	-	266,499
Categorical aid programs	8,225	-	-	-	8,225
Other state programs	142,376	-	-	-	142,376
Local Sources:					
Interest	20,393	10,232	1,312	4,647	36,584
Other local sources	188,527	99,569	258,627	-	546,723
Totals	\$ 5,624,117	\$ 161,310	\$ 259,939	\$ 4,647	\$ 6,050,013

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

F. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,120,005	\$ 550,999	\$ -	\$ 5,671,004
Work in progress	1,312,130	26,307	-	1,338,437
Total capital assets not being depreciated	6,432,135	577,306	-	7,009,441
Capital assets being depreciated:				
Buildings	64,324,341	-	-	64,324,341
Site improvements	8,475,613	29,602	-	8,505,215
Equipment	4,343,463	98,763	-	4,442,226
Total capital assets being depreciated	77,143,417	128,365	-	77,271,782
Less accumulated depreciation for:				
Buildings	(20,357,088)	(1,299,888)	-	(21,656,976)
Site improvements	(3,930,708)	(315,228)	-	(4,245,936)
Equipment	(2,236,255)	(316,811)	-	(2,553,066)
Total accumulated depreciation	(26,524,051)	(1,931,927)	-	(28,455,978)
Total capital assets being depreciated, net	50,619,366	(1,803,562)	-	48,815,804
Governmental activities capital assets, net	\$ 57,051,501	\$ (1,226,256)	\$ -	\$ 55,825,245

Depreciation was charged to functions as follows:

Instruction	\$ 96,801
Instruction-Related Services	4,981
Pupil Services	116,635
General Administration	57,080
Plant Services	1,656,430
	\$ 1,931,927

G. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2010 consisted of the following:

Due To Fund	Due From Fund	Amount
General Fund	Adult Education Fund	\$ 94,719
General Fund	Cafeteria Fund	122,153
	Total	\$ 216,872

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, 2010

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2010 consisted of the following:

Transfers From	Transfers To	Amount
Building Fund	General Fund	\$ 399
County School Facilities Fund	General Fund	1,600
General Fund	Cafeteria Fund	201,970
General Fund	Deferred Maintenance Fund	935
Pupil Transportation Fund	General Fund	61,104
State School Building Fund	General Fund	1
Tax Override Fund	General Fund	81
	Total	\$ 266,090

H. Accounts Payable

Accounts payable at June 30, 2010 consisted of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Total
Vendor payables	\$ 148,210	\$ 15,467	\$ 493	\$ 164,170
Payroll and related benefits	30,419	-	-	30,419
Totals	\$ 178,629	\$ 15,467	\$ 493	\$ 194,589

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, 2010 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 16,515,000	\$ -	\$ 1,085,000	\$ 15,430,000	\$ 1,125,000
Capital leases	608,110	-	132,085	476,025	138,608
Net OPEB obligation	495,785	681,337	230,883	946,239	-
Compensated absences *	140,654	-	41,292	99,362	99,362
Total governmental activities	\$ 17,759,549	\$ 681,337	\$ 1,489,260	\$ 16,951,626	\$ 1,362,970

* 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, 2010

2. Debt Service Requirements

Debt service requirements on long-term debt, net of OPEB obligation, at June 30, 2010, are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2011	\$ 1,362,970	\$ 694,291	\$ 2,057,261
2012	1,335,455	634,801	1,970,256
2013	1,407,638	570,982	1,978,620
2014	1,354,324	509,453	1,863,777
2015	1,380,000	454,070	1,834,070
2016-2020	6,815,000	1,275,253	8,090,253
2021-2025	2,085,000	266,674	2,351,674
2026-2030	265,000	16,905	281,905
Totals	\$ 16,005,387	\$ 4,422,429	\$ 20,427,816

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2010 as follows:

Year Ending June 30:	
2011	\$ 159,200
2012	159,200
2013	159,200
2014	39,800
Total Minimum Lease Payments	517,400
Less Amount Representing Interest	(41,375)
Net Present Value of Minimum Lease Payments	\$ 476,025

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 a component unit 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, 2010 was not available as of the date of this report.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

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.

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 2009-10 was 9.70% 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, 2010, 2009 and 2008 were \$541,345, \$539,056 and \$543,208, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$0.

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 2009-10 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, 2010, 2009 and 2008 were \$1,368,217, \$1,367,965 and \$1,359,272, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$707,577.

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

M. Postemployment Benefits Other Than Pension Benefits

Plan Description

The Central Union High School District (District) administers a single-employer healthcare plan (Plan). The plan provides medical benefits to eligible retirees up to age 65 with the exception of four grandfathered retirees with lifetime benefits. Eligibility for health care benefits for classified employees retiring from the District after reaching age 55 and receiving retirement benefits from CalPERS, requires retirement with at least 20 years of eligible service (15 years for classified paraeducators). Certificated employees receiving benefits from CalSTRS are eligible to receive retiree health benefits after at least 20 years of eligible service. Certificated and classified management employees receiving benefits from CalPERS or CalSTRS are eligible to receive retiree health benefits after completing at least 20 years of eligible service. Membership of the plan consists of approximately 336 eligible active employees, 30 eligible retirees, and excludes employees hired after the valuation date. Dependent coverage is not paid by the District.

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 2009-10, the District contributed \$230,883 to the Plan, which was primarily used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District' 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 Districts 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	\$ 687,609
Interest on net OPEB obligation	29,753
Adjustment to annual required contribution	(36,025)
Annual OPEB cost (expense)	681,337
Contribution made	(230,883)
Increase in net OPEB obligation	450,454
Net OPEB obligation, beginning of year	495,785
Net OPEB obligation, end of year	\$ 946,239

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2010 was as follows:

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2010	\$ 687,609	34%	\$ 946,239

CENTRAL UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

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.

In the July 1, 2009 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 10.0% 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, 2010 of 28 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.

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

EXHIBIT B-1

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 19,503,587	\$ 18,943,723	\$ 18,846,438	\$ (97,285)
Local Sources	4,064,604	3,442,947	3,497,669	54,722
Total Revenue Limit	23,568,191	22,386,670	22,344,107	(42,563)
Federal	4,507,600	4,024,114	3,512,124	(511,990)
Other State	4,011,426	4,992,061	4,409,945	(582,116)
Other Local	1,945,312	1,846,423	1,810,793	(35,630)
Total Revenues	34,032,529	33,249,268	32,076,969	(1,172,299)
Expenditures:				
Current:				
Certificated Salaries	17,086,850	17,575,552	16,856,209	719,343
Classified Salaries	5,700,339	5,685,857	5,399,895	285,962
Employee Benefits	5,757,187	5,830,931	5,503,896	327,035
Books And Supplies	2,111,236	3,488,779	1,536,982	1,951,797
Services And Other Operating Expenditures	2,893,303	3,194,219	2,766,334	427,885
Other Outgo	(76,445)	(85,892)	(78,724)	(7,168)
Capital Outlay	153,970	649,639	586,962	62,677
Debt Service:				
Principal	132,085	132,085	132,085	-
Interest And Fiscal Charges	27,115	27,115	27,115	-
Total Expenditures	33,785,640	36,498,285	32,730,754	3,767,531
Excess (Deficiency) of Revenues Over (Under) Expenditures	246,889	(3,249,017)	(653,785)	2,595,232
Other Financing Sources (Uses):				
Transfers In	242,675	60,320	63,185	2,865
Transfers Out	(42,190)	(192,726)	(202,905)	(10,179)
Total Other Financing Sources (Uses)	200,485	(132,406)	(139,720)	(7,314)
Excess (Deficiency) Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Uses	447,374	(3,381,423)	(793,505)	2,587,918
Fund Balances, July 1	10,304,886	10,304,886	10,304,886	-
Fund Balances, June 30	\$ 10,752,260	\$ 6,923,463	\$ 9,511,381	\$ 2,587,918

CENTRAL UNION HIGH SCHOOL DISTRICT

EXHIBIT B-2

ADULT EDUCATION FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal	\$ 45,825	\$ 82,407	\$ 82,407	\$ -
Total Revenues	45,825	82,407	82,407	-
Expenditures:				
Current:				
Certificated Salaries	14,500	280,000	45,618	234,382
Classified Salaries	12,000	11,200	12,506	(1,306)
Employee Benefits	6,919	4,751	8,765	(4,014)
Books And Supplies	6,595	35,477	12,029	23,448
Services And Other Operating Expenditures	5,811	2,979	3,489	(510)
Total Expenditures	45,825	334,407	82,407	252,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(252,000)	-	252,000
Fund Balances, July 1	6,347	6,347	6,347	-
Fund Balances, June 30	\$ 6,347	\$ (245,653)	\$ 6,347	\$ 252,000

CENTRAL UNION HIGH SCHOOL DISTRICT

EXHIBIT B-3

CAFETERIA FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal Revenue	\$ 655,071	\$ 1,049,427	\$ 1,063,895	\$ 14,468
Other State Revenue	65,000	98,279	89,103	(9,176)
Other Local Revenue	858,000	577,678	566,288	(11,390)
Total Revenues	<u>1,578,071</u>	<u>1,725,384</u>	<u>1,719,286</u>	<u>(6,098)</u>
Expenditures:				
Current:				
Classified Salaries	672,662	705,248	701,720	3,528
Employee Benefits	199,318	201,121	197,279	3,842
Books And Supplies	577,394	10,000	4,674	5,326
Services And Other Operating Expenditures	96,494	956,269	909,019	47,250
Other Outgo	75,206	85,892	81,934	3,958
Capital Outlay	-	39,730	39,380	350
Total Expenditures	<u>1,621,074</u>	<u>1,998,260</u>	<u>1,934,006</u>	<u>64,254</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(43,003)</u>	<u>(272,876)</u>	<u>(214,720)</u>	<u>58,156</u>
Other Financing Sources (Uses):				
Transfers In	42,190	191,791	201,970	10,179
Total Other Financing Sources (Uses)	<u>42,190</u>	<u>191,791</u>	<u>201,970</u>	<u>10,179</u>
Net Change in Fund Balance	<u>(813)</u>	<u>(81,085)</u>	<u>(12,750)</u>	<u>68,335</u>
Fund Balance, July 1	83,755	83,755	83,755	-
Fund Balance, June 30	<u>\$ 82,942</u>	<u>\$ 2,670</u>	<u>\$ 71,005</u>	<u>\$ 68,335</u>

CENTRAL UNION HIGH SCHOOL DISTRICT

EXHIBIT B-4

SPECIAL RESERVE FUND FOR OTHER THAN CAPITAL OUTLAY PROJECTS

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other Local	\$ 22,000	\$ 22,000	\$ 49,370	\$ 27,370
Total Revenues	<u>22,000</u>	<u>22,000</u>	<u>49,370</u>	<u>27,370</u>
Expenditures:				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>22,000</u>	<u>22,000</u>	<u>49,370</u>	<u>27,370</u>
Fund Balances, July 1	3,071,339	3,071,339	3,071,339	-
Fund Balances, June 30	<u>\$ 3,093,339</u>	<u>\$ 3,093,339</u>	<u>\$ 3,120,709</u>	<u>\$ 27,370</u>

CENTRAL UNION HIGH SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

YEAR ENDED JUNE 30, 2010

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%
6/30/10	-	5,053,311	5,053,311	-	23,015,957	22.0%

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, 2010

	Special Revenue Funds	Debt Service Fund Tax Override Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	\$ -	\$ -	\$ 390,667	\$ 390,667
Accounts Receivable	-	-	259,939	259,939
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 650,606</u>	<u>\$ 650,606</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ 493	\$ 493
Total Liabilities	<u>-</u>	<u>-</u>	<u>493</u>	<u>493</u>
Fund Balance:				
Unreserved, reported in nonmajor:				
Capital Projects Funds	-	-	650,113	650,113
Total Fund Balance	<u>-</u>	<u>-</u>	<u>650,113</u>	<u>650,113</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 650,606</u>	<u>\$ 650,606</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, 2010

	Special Revenue Funds	Debt Service Fund Tax Override Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Other Local Revenue	\$ (150)	\$ -	\$ 438,174	\$ 438,024
Total Revenues	<u>(150)</u>	<u>-</u>	<u>438,174</u>	<u>438,024</u>
Expenditures:				
General Administration	-	-	142,555	142,555
Plant Services	-	-	93,821	93,821
Total Expenditures	<u>-</u>	<u>-</u>	<u>236,376</u>	<u>236,376</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(150)</u>	<u>-</u>	<u>201,798</u>	<u>201,648</u>
Other Financing Sources (Uses):				
Transfers In	935	-	-	935
Transfers Out	(61,104)	(81)	(2,000)	(63,185)
Total Other Financing Sources (Uses)	<u>(60,169)</u>	<u>(81)</u>	<u>(2,000)</u>	<u>(62,250)</u>
Net Change in Fund Balance	(60,319)	(81)	199,798	139,398
Fund Balance, July 1	60,319	81	450,315	510,715
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 650,113</u>	<u>\$ 650,113</u>

CENTRAL UNION HIGH SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2010

	Deferred Maintenance Fund	Pupil Transportation Equipment Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:			
Total Assets	\$ -	\$ -	\$ -
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Total Liabilities	-	-	-
Fund Balance:			
Total Fund Balance	-	-	-
Total Liabilities and Fund Balances	\$ -	\$ -	\$ -

CENTRAL UNION HIGH SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	Deferred Maintenance Fund	Pupil Transportation Equipment Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
Other Local Revenue	\$ (935)	\$ 785	\$ (150)
Total Revenues	<u>(935)</u>	<u>785</u>	<u>(150)</u>
Expenditures:			
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(935)</u>	<u>785</u>	<u>(150)</u>
Other Financing Sources (Uses):			
Transfers In	935	-	935
Transfers Out	-	(61,104)	(61,104)
Total Other Financing Sources (Uses)	<u>935</u>	<u>(61,104)</u>	<u>(60,169)</u>
Net Change in Fund Balance	-	(60,319)	(60,319)
Fund Balance, July 1	-	60,319	60,319
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CENTRAL UNION HIGH SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2010

	Building Fund	Capital Facilities Fund
ASSETS:		
Cash in County Treasury	\$ -	\$ 390,667
Accounts Receivable	-	259,939
Total Assets	<u>\$ -</u>	<u>\$ 650,606</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ -	\$ 493
Total Liabilities	<u>-</u>	<u>493</u>
Fund Balance:		
Unreserved, reported in nonmajor:		
Capital Projects Funds	-	650,114
Total Fund Balance	<u>-</u>	<u>650,114</u>
 Total Liabilities and Fund Balances	 <u>\$ -</u>	 <u>\$ 650,607</u>

State School Building/Lease Fund	County School Facilities Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ -	\$ -	\$ 390,667
-	-	259,939
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 650,606</u>
\$ -	\$ -	\$ 493
-	-	493
<u>(1)</u>	<u>-</u>	<u>650,113</u>
<u>(1)</u>	<u>-</u>	<u>650,113</u>
<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ 650,606</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, 2010

	Building Fund	Capital Facilities Fund
Revenues:		
Other Local Revenue	\$ 4	\$ 438,150
Total Revenues	<u>4</u>	<u>438,150</u>
Expenditures:		
General Administration	-	142,555
Plant Services	-	93,821
Total Expenditures	<u>-</u>	<u>236,376</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4</u>	<u>201,774</u>
Other Financing Sources (Uses):		
Transfers Out	(399)	-
Total Other Financing Sources (Uses)	<u>(399)</u>	<u>-</u>
Net Change in Fund Balance	(395)	201,774
Fund Balance, July 1	395	448,340
Fund Balance, June 30	<u>\$ -</u>	<u>\$ 650,114</u>

State School Building/Lease Fund	County School Facilities Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ -	\$ 20	\$ 438,174
-	20	438,174
-	-	142,555
-	-	93,821
-	-	236,376
-	20	201,798
(1)	(1,600)	(2,000)
(1)	(1,600)	(2,000)
(1)	(1,580)	199,798
-	1,580	450,315
\$ (1)	\$ -	\$ 650,113

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, 2010

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.

Governing Board

Name	Office	Term and Term Expiration
Steve M. Walker	President	Four year term Expires November 30, 2012
Jacinto Jimenez	Clerk	Four year term Expires November 30, 2012
Jeanne Vogel	Member	Four year term Expires November 30, 2010
Richard Acosta	Member	Four year term Expires November 30, 2010
Vacant	Member	Four year term Expires November 30, 2012

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, 2010

TABLE D-1

	Second Period Report		Annual Report *	
	Original	Revised	Original	Revised
High School:				
Grades 9 through 12, regular classes	3,625.59	3,625.13	3,600.41	3,600.41
Special education	67.67	67.66	68.35	68.35
Continuation education	175.12	174.97	173.98	173.98
High school totals	<u>3,868.38</u>	<u>3,867.76</u>	<u>3,842.74</u>	<u>3,842.74</u>
ADA totals	<u>3,868.38</u>	<u>3,867.76</u>	<u>3,842.74</u>	<u>3,842.74</u>

* There were no revisions to the Annual Report.

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, 2010

TABLE D-2

Grade Level	1982-83 Actual Minutes	1982-83 Adjusted & Reduced	1986-87 Minutes Requirement	1986-87 Adjusted & Reduced	2009-10 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grade 9	61,250	N/A	64,800	N/A	65,813	180	-	Complied
Grade 10	61,250	N/A	64,800	N/A	65,813	180	-	Complied
Grade 11	61,250	N/A	64,800	N/A	65,813	180	-	Complied
Grade 12	61,250	N/A	64,800	N/A	65,813	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, 2010

TABLE D-3

General Fund	(Budget) 2011	2010	2009	2008
Revenues and other financial sources	\$ 31,954,750	\$ 32,140,154	\$ 38,505,008	\$ 35,474,646
Expenditures, other uses and transfers out	33,316,534	32,933,659	33,784,362	38,038,774
Change in fund balance (deficit)	(1,361,784)	(793,505)	4,720,646	(2,564,128)
Ending fund balance	\$ 8,149,597	\$ 9,511,381	\$ 10,304,886	\$ 5,584,240
Available reserves	\$ 7,131,703	\$ 7,684,707	\$ 7,487,027	\$ 2,923,859
Available reserves as a percentage of total outgo	21.4%	23.3%	22.2%	7.7%
Total long-term debt	\$ 15,588,656	\$ 16,951,626	\$ 17,255,522	\$ 18,427,017
Average daily attendance at P-2	3,868	3,868	4,481	4,481

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 \$1,363,013 over the past three years. The fiscal year 2010-11 budget projects a decrease of \$1,361,784. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, other uses and transfers out.

Long-term debt has decreased by \$2,620.967 over the past three years.

Average daily attendance (ADA) has decreased by 628 over the past three years.

CENTRAL UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

TABLE D-4

	General Long Term Debt Account Group
June 30, 2010, total long-term debt as reported on the SACS	\$ 16,005,387
Adjustments and reclassifications:	
Increase (decrease) in total liabilities:	
Net OPEB obligation understatement	946,239
Net adjustments and reclassifications	946,239
June 30, 2010, audited financial statements total long-term debt	\$ 16,951,626

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, 2010

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
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

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.

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

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 *	93.778	-	\$ 99,888
Total U. S. Department of Health and Human Services			<u>99,888</u>
U. S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
Adult Education	84.002	14508	82,407
Title I *	84.010	14329	645,000
Migrant Education	84.011	14326	381,282
Special Education *	84.027	13379	787,326
Vocational Education	84.048	14894	104,961
Title IV Drug Free	84.186	14347	23,352
Title II EETT *	84.318	14334	29,632
Gear Up Program	84.334	10088	63,500
Title III LEP	84.365	10084	154,452
Title II Teacher Quality	84.367	14341	153,351
Advanced Placement	84.369	14831	3,978
ARRA Title I *	84.389	15005	215,648
ARRA Special Education *	84.391	15003	362,999
ARRA State Fiscal Stabilization Fund *	84.394	24997	1,565,950
Total Passed Through State Department of Education			<u>4,573,838</u>
Total U. S. Department of Education			<u>4,573,838</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
National School Lunch Program *	10.555	13396	1,024,513
Child Nutrition ARRA Equipment	10.579	15006	39,380
Total Passed Through State Department of Education			<u>1,063,893</u>
Total U. S. Department of Agriculture			<u>1,063,893</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 5,737,619</u>

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

The accompanying notes are an integral part of this schedule.

Other Independent Auditor's Reports

Wilkinson Hadley King & Co. LLP

CPA's and Advisors
218 W. Douglas Avenue
El Cajon, CA 92020

Independent Auditor's Report

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 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, 2010, which collectively comprise the Central Union High School District's basic financial statements and have issued our report thereon dated November 23, 2010. 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.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central Union High School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding 2010-1.

Central Union High School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Central Union High School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilkinson Hadley King & Co, LLC

El Cajon, California
November 23, 2010

Wilkinson Hadley King & Co. LLP

CPA's and Advisors
218 W. Douglas Avenue
El Cajon, CA 92020

Independent Auditor's Report

Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133

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

Members of the Board of Trustees:

Compliance

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, 2010. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Central Union High School District's management. Our responsibility is to express an opinion on Central Union High School District's compliance based on our audit.

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

In our opinion, Central Union High School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Finding 2010-2.

Internal Control Over Compliance

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

Central Union High School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Central Union High School District's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilkinson Hadley King & Co., LLP

El Cajon, California
November 23, 2010

Wilkinson Hadley King & Co. LLP

CPA's and Advisors
218 W. Douglas Avenue
El Cajon, CA 92020

Auditor's Report on State Compliance

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

Members of the Board of Trustees:

We have audited the basic financial statements of the Central Union High School District ("District") as of and for the year ended June 30, 2010, and have issued our report thereon dated November 23, 2010. Our audit was made 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 2009-10*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. 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	8	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 Program	4	N/A
GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Class Size Reduction Program (Including In Charter Schools):		
General Requirements	7	N/A
Option One Classes	3	N/A
Option Two Classes	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	4	N/A
Before School	5	N/A
Contemporaneous Records of Attendance, For Charter Schools	1	N/A
Mode of Instruction, For Charter Schools	1	N/A
Nonclassroom-Based Instruction/Independent Study, For Charter Schools	15	N/A
Determination of Funding for Nonclassroom-Based		
Instruction, For Charter Schools	3	N/A
Annual Instructional Minutes - Classroom Based, For Charter Schools	3	N/A

The term "N/A" is used above to mean either that 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 because the independent study ADA was under the level that requires testing.

Based on our audit, we found that, for the items tested, Central Union High School District complied with the state laws and regulations referred to above. section of this report. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Central Union High School District had not complied with the state laws and regulations.

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

Wilkinson Hadley King & Co., LLP

El Cajon, California
November 23, 2010

Findings and Recommendations Section

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are 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: Unqualified

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.391	Special Education Cluster
84.010, 84.389	Title I Cluster
84.394	ARRA State Fiscal Stabilization Fund
84.011	Migrant Education
84.367	Title II Teacher Quality

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, 2010

3. State Awards

Internal control over state programs:

One or more material weaknesses identified?	_____ Yes	<u> X </u> No
One or more significant deficiencies identified that are are not considered to be material weaknesses?	Yes	<u> X </u> None Reported

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

B. Financial Statement Findings

Finding 2010-1 (30000)
 Employee I-9 Forms

Criteria or Specific Requirement

Determine the District has proper completed I-9 forms and supporting documentation on file for all applicable employees. Ensure all necessary employee information and appropriate signatures are present on all forms and that the District has proper retention procedures for all required documents.

Condition

In our review and testing of personnel and payroll records of District employees, we noted two employees out of twenty five tested did not have the required I-9 form on file. In addition, one employee did not have the proper supporting verification documents attached to the I-9 form.

Questioned Costs

None

Recommendation

Require all applicable employees to have a completed and signed I-9 form on file as proper documentation for employment eligibility verification. Review all employee records and obtain any missing I-9 forms and supporting verification documents in addition to establishing procedures to ensure all required I-9 forms and supporting verification documents are retained on file and available for audit in future periods.

LEA's Response

The District will continue to audit I-9 forms and make sure there is a form on file for all employees who should have one. The District will also ensure proper completion of the I-9 forms and maintain supporting documentation appropriately.

CENTRAL UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

C. Federal Award Findings and Questioned Costs

Finding 2010-2 (50000)
Interest Earned on Federal Funds

Federal Program Information

Title I Cluster 84.010, 84.389
Special Education Cluster 84.027, 84.391
ARRA State Fiscal Stabilization Funds 84.394
Migrant Education 84.011
Title II Teacher Quality 84.367

Compliance Requirement:
Cash Management

Criteria or Specific Requirement

Determine whether interest earned on ARRA federal funds and Non-ARRA federal funds has been calculated quarterly based on a daily cash balance and subsequently remitted to the California Department of Education as the federal pass through agency on a timely basis.

Condition

In our review of the major federal programs selected for compliance testing, we noted that District management had not calculated interest earned on federal funds and submitted the quarterly payments to the pass through agency, California Department of Education, as required. Interest earned on federal sources had not been calculated based on a daily cash balance for ARRA funds and Non-ARRA funds as stated within the compliance guidelines issued by the California Department of Education as the federal pass through agency.

Questioned Costs

\$14,436 interest earned on ARRA federal funds and \$5,536 interest earned on Non-ARRA federal funds has not been submitted/paid to the California Department of Education.

Recommendation

Calculate interest earned on ARRA funds and Non-ARRA funds for the entire fiscal year based on a daily cash basis and submit the amount calculated less the allowed retention amount to the California Department of Education. In future periods, calculate interest earned on a quarterly basis as required and submit to the federal pass through agency, California Department of Education, on a timely basis.

LEA's Response

Procedures and guidelines have been implemented for the interest on Federal Funds to be calculated and issued to CDE on a quarterly basis. The interest for 2009-10 was paid on December 9, 2010.

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, 2010**

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p>Finding 2009-1 Cafeteria Cash Controls</p> <p>Daily cash log sheets of the cafeteria funds at Southwest High School do not contain supervisor approval for the cash collected. The daily cash log sheets are completed and signed by the cashier; however, there is no indication of supervisor approval.</p>	Implemented	
<p>Require the daily cash log sheets to be signed by the supervisor as verification that the cash collected for daily sales is accurate and properly stated.</p>		
<p>Finding 2009-2 Student Body Funds</p> <p>In review of the student body disbursements at Central Union High School, some reimbursements for expenses did not reconcile to the receipts attached; consequently, a portion of the expenses reimbursed for travel, meals, and supplies did not have proper supporting documentation.</p>	Implemented	
<p>Establish procedures to ensure all reimbursements for expenses incurred reconcile to the receipts submitted. Provide adequate support documentation for all travel, meals, and supplies reimbursed.</p>		
<p>Finding 2009-3 Employee I-9 Forms</p> <p>In examination and testing of employee personnel and payroll records, some I-9 forms were not on file. Personnel employee verification documents were in the employee files; however, a proper completed I-9 form could not be located.</p>	Partially Implemented	See Current Year Finding
<p>Require all applicable employees to have a completed and signed I-9 form on file for employment eligibility verification. Review all employee records and obtain missing I-9 forms to ensure the forms, with copies of supporting verification documents, are retained and available for audit in future periods.</p>		

**CENTRAL UNION HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010**

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
Finding 2009-4 Teacher Credentials	Implemented	
<p>In review and testing of teacher credentials, some teachers did not have proper authorization to instruct classes where greater than twenty percent of the pupils were English learners. The teachers did not have the proper certification that allowed them to teach classes where more than twenty percent of the class size were English learners.</p>		
<p>Require all teachers to have the proper certification and authorization to instruct classes where greater than twenty percent of the class size consist of English learners. Monitor all school sites and review period classes to ensure that all teachers providing instruction to classes that exceed twenty percent in English learner pupils have the proper certification.</p>		