

**Audited Financial Statements
El Monte Union High School District
Year ended June 30, 2013
with Report of Independent Auditors**

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Report of Independent Auditors

**The Honorable Board of Trustees
El Monte Union High School District
El Monte, California**

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Implementation of New Accounting Standards

As disclosed in the Note 1 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 63 and implemented GASB Statement No. 65 in advance during fiscal year 2013. Among these new GASB Statements, GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position; and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, have significant impact over the District's financial statements. Our opinion is not modified with respect to that matter.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison and other postemployment information on pages 4 through 13 and 47 through 49, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, are presented for the purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and the Combining Statements - Nonmajor Governmental Funds, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The supplementary information as listed in the table of contents have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Vasquez & Company LLP". The signature is written in a cursive, flowing style.

Los Angeles, California
December 4, 2013

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Management's Discussion and Analysis

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El Monte Union High School District

3537 Johnson Avenue • El Monte, California 91731

(626) 444-9005



Board of Trustees

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This section of El Monte Union High School District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2013. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of El Monte Union High School District as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities separately. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

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

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

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

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

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

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities and Change in Net Position

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

These two statements report the District's net position and change in net position. Net position is calculated by subtracting total assets and deferred outflows from total liabilities and deferred inflows, one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position is an indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

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

In the *Statement of Net Position* and the *Statement of Activities and Change in Net Position*, we present the District activities as follows:

Governmental Activities – All of the District's services are reported in this category. This includes the education of ninth through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by the State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

For the Fiscal year 2012-2013, the District experienced a decrease in average daily attendance (ADA). While the 2012- 2013 budget projected an ADA of 9,428, the P2 for the 2012-2013 school year reported the ADA to be 9,245, or a shortfall of 183.

The majority of funding for school districts is driven by the ADA of enrolled students.

California Basic Educational Data Systems (CBEDS) is the State-wide system of collecting enrollment and staffing data from all school districts on an "Information Day" each October.

Enrollment is the number of students actually enrolled in a school/program on a particular day whether the student was in attendance or not.

ADA is equal to the average number of pupils actually attending classes over a span of time. For the majority of our Unrestricted Funding Resources, the benchmark in time is called P2 or Period 2 reporting. The time period is the last complete school month ending prior to April 15 of a school year.

The percentage of ADA compared to CBEDS remains approximately 91 to 92 percent. According to School Services of California, the State-wide average for high school districts is 90 percent.

The District anticipates a decline in enrollment for the foreseeable future based upon the enrollment of our feeder districts: Mountain View School District, El Monte City School District, Rosemead School District, and Valle Lindo School District. The decline in enrollment is supported by demographic studies performed on behalf of the District.

E-rate – In 1996, the Telecommunications Act was signed into law, and for the first time schools and libraries became eligible for Universal Service support. The intent was to provide schools and libraries affordable access to advanced telecommunications. On May 7, 1997, the Federal Communications Commission (FCC) implemented Universal Service. Within these parameters, the Education-Rate (E-Rate) was established. This rate is the discount that schools and libraries receive for the acquisition of telecommunication services. The discount ranges from 20 to 90 percent and includes products and services in telecommunication, Internet access, and internal connections. The objective was to institute technology as a foundation within our classrooms.

Telecommunication Services include: voice and data communications, regular telephone lines, cellular phones for administrative officials, high bandwidth telecommunication services, satellite delivery for distance learning, and fiber optic cables.

Internet Access: services for accessing the Internet including e-mail and access to the World Wide Web.

Internal Connections – bringing the Technology into the Learning Environment: basic installation and maintenance of a network is an “E-Rateable” expense. Examples include the establishment of network, routers, hubs, network file servers, wireless Local Area Networks, and software necessary to operate the aforementioned systems and equipment.

EI Monte Union High School District continues to participate in the E-Rate program. In most circumstances, the District qualifies for an 85-90 percent discount.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$105.3 million for the fiscal year ended June 30, 2013. Of this amount, \$20.1 million was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the governing board's ability to use those resources for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental activities.

(Amounts in millions)	2013	2012 (Restated)
Assets		
Current and other assets	\$ 85.7	\$ 86.9
Capital assets	214.9	218.3
Total assets	300.6	305.2
 Deferred outflows of resources		
Deferred charge on refunding	1.2	1.3
Total assets and deferred outflows of resources	301.8	306.5
 Liabilities		
Current liabilities	28.5	32.0
Long-term liabilities	168.0	172.2
Total liabilities	196.5	204.2
 Net position		
Invested in capital assets, net of related debt	62.5	66.7
Restricted	22.7	15.4
Unrestricted	20.1	20.2
Total net assets \$	105.3	102.3

The \$20.1 million in unrestricted net position of governmental activities represents the *accumulated results* of all past years' operations. It means that if we had to pay off all our liabilities and sell all our assets *today* including all of our non-capital liabilities (compensated absences as an example), we would have \$20.1 million left.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities and Change in Net Position* on page 14. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

(Amounts in millions)	Governmental Activities	
	2013	2012
Revenues		
Program revenues:		
Charges for services	\$ 2.0	\$ 1.3
Operating grants and contributions	22.5	22.8
Capital grants and contributions	4.9	-
General revenues:		
Federal and State revenue limit sources	62.5	67.2
Property taxes	24.0	20.9
Other general revenues	6.0	5.7
Total revenues	<u>121.9</u>	<u>117.9</u>
Expenses		
Instruction and Instruction-related	73.0	74.9
Pupil services	15.2	15.7
General administration	5.0	7.8
Plant services	14.2	14.7
Other (other outgo, interest on long-term obligations)	11.5	8.5
Total expenses	<u>118.9</u>	<u>121.6</u>
Change in net position	<u>\$ 3.0</u>	<u>\$ (3.7)</u>

Governmental Activities

As reported in the *Statement of Activities and Change in Net Position* on page 14, the cost of all of our governmental activities this year was \$118.9 million. The cost was paid by those who benefited from the programs (\$2.0 million) or by the other governments and organizations who subsidized certain programs with grants and contributions (\$22.5 million). We paid for the remaining "public benefit" portion of our governmental activities with \$24.0 million in taxes, \$68.5 million in State and Federal funds and with other revenues, such as interest and general entitlements.

**EI Monte Union High School District
Management's Discussion and Analysis
June 30, 2013**

In Table 3, we have presented the cost and net cost of each of the District's largest functions – instruction, instruction-related activities, other pupil services, general administration, plant services, and other outgo, plus any other remaining functional expense. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

(Amounts in millions)	Governmental Activities			
	2013		2012	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction related	\$ 73.0	\$ 49.0	\$ 75.0	\$ 57.0
Pupil services	15.0	10.0	16.0	10.0
General administration	5.0	5.0	8.0	8.0
Plant services	14.0	14.0	14.0	13.0
Other (other outgo, ancillary services, enterprise services, interest on long-term obligations)	12.0	12.0	9.0	10.0
Total	\$ 119.0	\$ 90.0	\$ 122.0	\$ 98.0

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported *combined* fund balances of \$64.7 million which is an increase of \$3.0 million from last year (Table 4).

Table 4

(Amounts in millions)	Balances and Activity				Increase
	July 1, 2012	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2013	(Decrease)
	General Fund	\$ 15.6	\$ 98.5	\$ 99.5	\$ 14.6
Building Fund	14.2	0.1	1.2	13.1	(1.1)
Adult Education Fund	12.2	11.2	10.0	13.4	1.2
Child Development Fund	-	0.4	0.4	-	-
Cafeteria Fund	2.6	5.0	5.0	2.6	-
Deferred Maintenance Fund	2.3	-	0.5	1.8	(0.5)
Capital Facilities Fund	2.2	-	-	2.2	-
County School Facilities Fund	6.7	5.0	-	11.7	5.0
Special Reserve Fund for Capital Outlay Projects	1.5	-	-	1.5	-
Bond Interest and Redemption Fund	4.1	10.6	10.8	3.9	(0.2)
Total	\$ 61.4	\$ 130.8	\$ 127.4	\$ 64.8	\$ 3.4

The primary reason for the overall increase is attributed to the:

County School Facilities Fund experiencing a net increase of \$5.0 million because of prior year state apportionments received in fiscal year 2012-13.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 17, 2013. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 46.)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had \$214.9 million in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$3.4 million, or 2 percent, from last year.

Table 5

(Amounts in millions)	Governmental Activities	
	2013	2012
Land and construction in progress	\$ 10.8	\$ 10.2
Building and improvements	197.9	202.8
Furniture and equipment	6.2	5.3
	\$ 214.9	\$ 218.3

Long-term Obligations

At the end of this year, the District had \$175.1 million in long-term obligations outstanding versus \$177.1 million last year, a decrease of \$2 million. Those long-term obligations consisted of:

Table 6

	Governmental Activities	
	2013	2012
General obligation bonds - including premium (financed with property taxes)	\$ 165.4	\$ 135.0
General obligation bond anticipation notes - including premium	-	32.1
Other	9.7	10.0
Total	\$ 175.1	\$ 177.1

The District's general obligation bond rating continues to be "AA." The State limits the amount of general obligation debt that districts can issue to 1.25 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$165.4 million is below this statutorily-imposed limit.

Other obligations include compensated absences payable and other long-term obligations. We present more detailed information regarding our long-term obligations in Note 7 to the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2013-2014 ARE NOTED BELOW:

Despite budget constraints, the District was able to staff general subject teachers at a ratio of 31:1 or better at all schools. This enables the District to continue to better serve our students.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

Local Control Funding Formula (LCFF). The LCFF replaces the former Revenue Limit and many State Categorical Programs and provides largely unrestricted funds for Districts to use as their Board determines according to a Board Adopted Local Control Accountability Plan (LCAP).

Total Base Revenue Limit is projected using a Cost of Living Adjustment (COLA) of 1.565%

Deficit reduction factor of .77728

Decreased enrollment of 286 from the previous year

The Governors Budget was approved on June 27, 2013, the cornerstone of the budget relates to the Local Control Funding Formula (LCFF). Education Code EC 42127 (i)(4) states that " not later than 45 days after the Governor signed the annual Budget Act, the school district shall make available any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by that Budget Act."

On August 7, 2013 in compliance with the 45 day rule the Board approved budget revisions related to changes resulting from the changes in the approved budgets. Changes included Local Control Funding Formula(LCFF) which replaced the former revenue limit and many state categorical programs.

Expenditures are based on the following forecasts:

Grades nine through twelve	<u>General High School Teacher</u> <u>Enrollment</u>	<u>Staffing Ratio</u>
	31:1	9526

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Ryan Di Giulio, Chief Business Official, El Monte Union High School District, 3537 Johnson Avenue, El Monte, California, 91731, or e-mail at rdigiulio@emuhsd.k12.ca.us.

Basic Financial Statements

EI Monte Union High School District
Statement of Net Position
June 30, 2013

ASSETS	Governmental Activities
Current assets	
Deposits and investments	\$ 60,390,653
Receivables	21,879,987
Restricted assets:	
Deposit with county	2,500,500
Stores inventories	512,063
Other current assets	529,239
Total current assets	<u>85,812,442</u>
Noncurrent assets	
Capital assets	
Land and construction in process	10,794,687
Other capital assets	272,887,192
Less accumulated depreciation	(68,797,305)
Capital assets, net	<u>214,884,574</u>
Total noncurrent assets	<u>214,884,574</u>
Total assets	<u>300,697,016</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	<u>1,118,686</u>
Total assets and deferred outflows of resources	<u><u>301,815,702</u></u>
LIABILITIES	
Current liabilities	
Accounts payable	3,897,525
Salaries and benefits payable	2,160,460
Accrued interest payable	362,322
Tax revenue anticipation note	15,000,000
Current portion of long-term obligations	7,044,416
Total current liabilities	<u>28,464,723</u>
Noncurrent liabilities	
Capital lease payable	732,001
Other postemployment benefits other than pension (OPEB)	4,813,513
PARS supplemental retirement plan	1,219,863
Compensated absences	1,102,933
General obligation bonds	160,172,444
Total noncurrent liabilities	<u>168,040,754</u>
Total liabilities	<u>196,505,477</u>
NET POSITION	
Invested in capital assets, net of related debt	62,538,783
Restricted for:	
Capital projects	14,019,968
Debt service	7,532,829
Educational programs	1,153,979
Unrestricted	<u>20,064,666</u>
Total net position	<u><u>\$ 105,310,225</u></u>

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

EI Monte Union High School District
Statement of Activities and Change in Net Position
Year ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction	\$ 61,383,403	\$ 897,391	\$ 14,335,378	\$ 4,919,420	\$ (41,231,214)
Instruction - related activities					
Supervision of instruction	3,209,641	654,683	2,154,324	-	(400,634)
Instruction library, media and technology	1,572,483	-	861,532	-	(710,951)
School site administration	6,886,481	-	337,112	-	(6,549,369)
Pupil services					
Home-to-school transportation	1,673,327	-	224,991	-	(1,448,336)
Food services	4,463,104	414,727	4,541,425	-	493,048
All other pupil services	9,108,966	-	-	-	(9,108,966)
General administration					
Data processing	1,203,681	-	-	-	(1,203,681)
All other general administration	3,794,881	-	-	-	(3,794,881)
Plant services	12,305,076	71,083	-	-	(12,233,993)
Ancillary services	2,011,641	-	-	-	(2,011,641)
Enterprise services	374,332	-	-	-	(374,332)
Interest on long-term obligations	7,599,246	-	-	-	(7,599,246)
Other outgo	3,379,876	10,763	-	-	(3,369,113)
Total governmental activities	\$ 118,966,138	\$ 2,048,647	\$ 22,454,762	4,919,420	\$ (89,543,309)
General revenues and subventions:					
Property taxes, levied for general purposes					13,328,560
Property taxes levied for other debt services					10,648,357
Federal and State aid not restricted to specific purposes					62,517,558
Interest and investments earnings					734,934
Miscellaneous					5,339,720
Subtotal, general revenues					<u>92,569,129</u>
Change in net position					3,025,820
Net position, beginning of year, as restated (Note 16)					<u>102,284,405</u>
Net position, end of year					<u>105,310,225</u>

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

**EI Monte Union High School District
Balance Sheet
Governmental Funds
June 30, 2013**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Adult Education Fund</u>	<u>County Schools Facilities Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Deposits and investments	\$ 11,191,955	\$ 13,041,652	\$ 12,898,203	\$ 11,727,160	\$ 11,531,683	\$ 60,390,653
Receivables	20,360,671	30,301	584,767	26,819	877,429	21,879,987
Restricted assets:						
Deposit with county	2,500,500	-	-	-	-	2,500,500
Store inventories	275,827	-	218,086	-	18,150	512,063
Other current assets	529,239	-	-	-	-	529,239
Total assets	<u>\$ 34,858,192</u>	<u>\$ 13,071,953</u>	<u>\$ 13,701,056</u>	<u>\$ 11,753,979</u>	<u>\$ 12,427,262</u>	<u>\$ 85,812,442</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 3,597,195	\$ 20,913	48,126	-	\$ 231,291	\$ 3,897,525
Salaries and benefits payable	1,649,710	7,001	409,094	-	94,655	2,160,460
Tax revenue anticipation notes	15,000,000	-	-	-	-	15,000,000
Total liabilities	<u>20,246,905</u>	<u>27,914</u>	<u>457,220</u>	<u>-</u>	<u>325,946</u>	<u>21,057,985</u>
FUND BALANCES						
Nonspendable						
Revolving cash	30,000	-	625	-	2,650	33,275
Store inventories	275,827	-	218,086	-	18,150	512,063
Restricted						
Legally restricted programs	-	-	-	11,753,979	3,419,968	15,173,947
Capital projects	-	13,044,039	-	-	-	13,044,039
Debt service	3,625,377	-	-	-	3,907,452	7,532,829
Unassigned						
Reserve for economic uncertainties	2,970,929	-	-	-	-	2,970,929
Unassigned	7,709,154	-	-	-	-	7,709,154
Special revenue funds	-	-	13,025,125	-	3,240,335	16,265,460
Capital projects	-	-	-	-	1,512,761	1,512,761
Total fund balance	<u>14,611,287</u>	<u>13,044,039</u>	<u>13,243,836</u>	<u>11,753,979</u>	<u>12,101,316</u>	<u>64,754,457</u>
Total liabilities and fund balance	<u>\$ 34,858,192</u>	<u>\$ 13,071,953</u>	<u>\$ 13,701,056</u>	<u>\$ 11,753,979</u>	<u>\$ 12,427,262</u>	<u>\$ 85,812,442</u>

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

**EI Monte Union High School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2013**

Total Fund Balance - Governmental Funds \$ 64,754,457

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

Capital assets and long-term obligations used in governmental activities are not financial resources and, therefore, are not reported as assets and liabilities in governmental funds.

Capital assets at year-end consist of:

The cost of capital assets	283,681,879	
Less : Accumulated depreciation	<u>(68,797,305)</u>	
Net capital assets		214,884,574

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. In the government-wide financial statements, interest on long-term obligations is recognized when it is incurred.	(362,322)
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In governmental funds, the effect of issuance costs, premiums, discounts and similar items are recognized when debt is issued, whereas these amounts are deferred and amortized in the government-wide financial statements	1,118,686
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Long-term obligations at year-end consist of:

General obligation bonds	(147,151,276)	
Unamortized premium on issuance of debt	(9,004,359)	
Capital lease payable	(1,028,066)	
Accumulated vacation - net	(1,102,933)	
Other postemployment benefits (OPEB)	(4,813,513)	
PARS supplemental retirement plan	(2,753,215)	
In addition, the District issued "capital appreciation" general obligation bonds. The accretion of interest on unmatured general obligation bonds to date is	(9,231,808)	
Total long-term obligations		<u>(175,085,170)</u>

Total Net Position - Governmental Activities	<u><u>\$ 105,310,225</u></u>
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The accompanying notes to the financial statements are an integral part of these financial statements.

EI Monte Union High School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2013

	General Fund	Building Fund	Adult Education Fund	County Schools Facilities Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Revenue limit sources	\$ 58,297,780	\$ -	\$ -	\$ -	\$ -	\$ 58,297,780
Federal sources	6,119,678	-	1,309,122	-	4,180,111	11,608,911
Other state sources	25,721,353	-	457,333	4,919,420	495,799	31,593,905
Other local sources	7,946,938	110,332	891,505	71,833	11,470,754	20,491,362
Total revenues	98,085,749	110,332	2,657,960	4,991,253	16,146,664	121,991,958
EXPENDITURES						
Current						
Instruction	49,503,118	-	5,510,616	-	321,730	55,335,464
Instruction - related activities						
Supervision of instruction	3,161,973	-	-	-	-	3,161,973
Instruction library, media and technology	1,517,388	-	30,661	-	-	1,548,049
School site administration	4,904,809	-	1,822,107	-	61,654	6,788,570
Pupil services						
Home-to-school transportation	1,467,890	-	-	-	-	1,467,890
Food services	-	-	-	-	4,402,143	4,402,143
All other pupil services	8,174,443	-	804,058	-	-	8,978,501
General administration						
Data processing	1,183,955	-	-	-	-	1,183,955
All other general administration	4,195,092	-	400,668	-	379,497	4,975,257
Plant services	11,102,869	405,122	1,501,270	-	585,355	13,594,616
Facility acquisition and construction	-	896,282	-	-	37,480	933,762
Ancillary services	2,011,641	-	-	-	-	2,011,641
Other outgo	3,379,876	-	-	-	-	3,379,876
Enterprise services	-	-	-	-	374,332	374,332
Debt service						
Principal	285,219	-	-	-	4,710,000	4,995,219
Interest and other	57,943	-	-	-	5,986,888	6,044,831
Total expenditures	90,946,216	1,301,404	10,069,380	-	16,859,079	119,176,079
Excess (Deficiency) of revenues over expenditures	7,139,533	(1,191,072)	(7,411,420)	4,991,253	(712,415)	2,815,879
Other financing sources (uses)						
Proceeds from capital lease	500,000	-	-	-	-	500,000
Proceeds and premiums from issuance of bonds	-	-	-	-	32,127,605	32,127,605
Payment to bond escrow agent	-	-	-	-	(32,127,605)	(32,127,605)
Transfers in	-	-	8,584,768	-	-	8,584,768
Transfers out	(8,584,768)	-	-	-	-	(8,584,768)
Net financing sources (uses)	(8,084,768)	-	8,584,768	-	-	500,000
NET CHANGE IN FUND BALANCES	(945,235)	(1,191,072)	1,173,348	4,991,253	(712,415)	3,315,879
Fund balance - beginning	15,556,522	14,235,111	12,070,488	6,762,726	12,813,731	61,438,578
Fund balance - ending	\$ 14,611,287	\$ 13,044,039	\$ 13,243,836	11,753,979	\$ 12,101,316	\$ 64,754,457

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

EI Monte Union High School District
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities and Change in Net Position
Year ended June 30, 2013

Net Change in Fund Balances - Governmental Funds \$ 3,315,879

Amounts Reported for Governmental Activities in the Statement of Activities and Change in Net Position are Different Because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position, and allocated over their estimated useful lives as annual depreciation expense in the Statement of Activities and Change in Net Position. This is the amount of which capital outlay exceeds depreciation expense in the period.

Capital outlay	\$ 2,497,806	
Depreciation expense	(5,833,413)	
Net expense adjustment		(3,335,607)

Loss on disposal of capital assets is reported in the government-wide financial statement of net assets, but is not recorded in the governmental funds. (129,190)

Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. However, the difference between the annual required contribution and the actual contribution made, if less, is recorded in the government-wide financial statements as an expense. The actual amount of the contribution was less than the annual required contribution. (1,304,075)

In the Statement of Activities and Change in Net Position, certain operating expenses - supplementary early retirement payments - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Annuities of \$1,533,352 were paid during the year. 1,533,352

In the Statement of Activities and Change in Net Position, certain operating expenses - compensated absences (vacations) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was less than the amounts used by \$4,658. 4,658

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

General obligation bonds	4,710,000	
Capital lease payment	285,219	
Combined adjustment		4,995,219

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Proceeds from capital lease	(500,000)	
Proceeds and premiums from issuance of bonds	(32,127,605)	
Payment to bond escrow agent	32,127,605	
Combined adjustment		(500,000)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities and Change in Net Position, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:

Amortization of debt premium	\$ 994,273	
Amortization of deferred amount on refunding	(136,649)	
Combined adjustment		857,624

Interest on long-term obligations in the Statement of Activities and Change in Net Position differs from the amount

reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities and Changes in Net Position, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on general obligation bonds decreased by \$132,218. Second, \$2,544,258 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds. (2,412,040)

Change in Net Position of Governmental Activities \$ 3,025,820

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

**EI Monte Union High School District
Statement of Fiduciary Net Position
June 30, 2013**

	<u>Associated Student Body Funds</u>
ASSETS	
Deposits and investments	\$ <u>1,167,037</u>
 LIABILITIES	
Due to student groups	\$ <u>1,167,037</u>

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The El Monte Union High School District (the "District") was organized in 1901 under the laws of the State of California. The District operates under a locally-elected five member Board form of government and provides educational services to grades 9 - 12 as mandated by the State and/or Federal agencies. The District operates five comprehensive high schools, a continuation high school, an independent study program, a community day school, and an adult education program.

A reporting entity is composed of the primary government component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For El Monte Union High School District, this includes general operations, food service, and student related activities of the District.

Implementation of New Accounting Pronouncements

During the fiscal year ended June 30, 2013, the District adopted the following Governmental Accounting Standards Board (GASB) statements which impacted the District's financial statements:

- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement amends the net asset reporting requirements in GASB Statement No. 34 by incorporating deferred outflows of resources and deferred inflow of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. For the fiscal year 2012-2013, the District's deferred outflows of resources represent the difference between the net carrying amount of refunded debt and its reacquisition price. This was a result of advance refunding of debt reported during the fiscal year which resulted in defeasance of debt.

- GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*. The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Adoption of this statement resulted in restatement of the District's beginning net position balance because of the write-off of deferred bond issuance cost which was recognized as an asset in the prior years. See note 16.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and nonmajor governmental funds:

Major Governmental Funds

General Fund. The General Fund is the chief operating fund for all Districts. It is used to account for the ordinary operations of a District. All transactions except those required or permitted by law to be in another fund are accounted for in this fund. The District implemented Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund-type Definitions (GASB 54) during fiscal year 2010-2011. With the implementation of GASB 54, since fiscal year 2010-2011, the Special Reserve Fund for Postemployment Benefits which is used to account for amounts the District has earmarked for the full cost of postemployment benefits but has not contributed irrevocably to a separate trust for the postemployment benefit plan has been consolidated with the General Fund.

Building Fund. The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section 15146*) and may not be used for any purposes other than those for which the bonds were issued.

Adult Education Fund. The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only, except for State revenues which, as a result of Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4), may be used for any educational purpose.

County School Facilities Fund. The County School Facilities Fund was established pursuant to Education Code Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition IA), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (Education Code Section 17070 et seq.).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonmajor Governmental Funds

Special Revenue Funds. The Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities:

Child Development Fund. The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Cafeteria Fund. The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (Education Code Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (Education Code Sections 38091 and 38100).

Deferred Maintenance Fund. The Deferred Maintenance Fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (Education Code Sections 17582-17587) and for items of maintenance approved by the State Allocation Board, except for State apportionments which, as a result of Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4), may be used for any educational purpose.

Capital Project Funds. The Capital Project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund. The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (Education Code Sections 17620-17626). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981 or to the items specified in agreements with the developer (Government Code Section 66006).

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt Service Funds. The Debt Service Funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

Bond Interest and Redemption Fund. The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a District (Education Code Sections 15125-15262).

Debt Service Fund for Blended Component Units. The Debt Service Fund for Blended Component Units is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

Fiduciary Funds. Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for scholarship and student body activities (ASB).

Basis of Accounting - Measurement Focus

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide Statement of Activities and Change in Net Position presents a comparison between direct expenses and program revenues for each governmental program, and excludes fiduciary activity. The District does not have any business-type activities. District expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net resources use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

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

Governmental Funds. All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included in the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance reports the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Fiduciary Funds. The District has agency funds which are accounted for using the accrual basis of accounting and do not have a measurement focus. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues - Exchange and Non-Exchange Transactions. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 90 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue. Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred revenue.

Expenses/Expenditures. On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments held at June 30, 2013, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in County investment pools are determined by the program sponsor.

Restricted Assets

Certain assets are classified as restricted assets on the statement of net position and governmental funds balance sheet because they represent deposit held with the County for a specific purpose. At June 30, 2013, the District had \$2,500,500 in deposit held with the County to pay for the outstanding Tax Revenue Anticipation Notes (TRANS).

Prepaid Expenditures (Expenses)

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

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental type funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair value on the date donated.

The Provision for depreciation of capital assets is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

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

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In the government-wide financial statements, premiums and discounts on issuance of long-term obligations and costs of refunding the difference between the reacquisition price and the net carrying value of the refunded debt are deferred and amortized over the life of the related debt as a component of interest expense using the straight-line method. In the governmental funds, this activity is recognized as other financing sources and uses, respectively.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

Premiums and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Premiums and discounts are amortized over the life of the debt using the straight-line method.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Reporting

In accordance with GASB Statement No. 54, the District has established the following fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds:

Non-spendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples are inventories, prepaid expenses, long-term receivables, or non-financial assets held for resale.

Restricted fund balance includes resources that are subject to externally enforceable legal restrictions. It includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority (Board of Trustees).

Assigned fund balance consists of funds that are set aside for specific purposes by the District's highest level of decision-making authority or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

The Board of Trustees, as the District's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specific use through the same type of formal action taken to establish the commitment. The District does not have any fund balance that meets this classification as of June 30, 2013.

The Board of Trustees delegates the authority to assign fund balance to the Chief Business Official for purposes of reporting in the annual financial statements.

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3 percent of General Fund expenditures and other financing uses.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District considers the restricted fund balances to have been spent when expenditure is incurred for purposes for which both unrestricted and restricted fund balance is available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the District to reduce the committed amounts first, followed by assigned amounts, and then unassigned amounts unless District goals and objectives and/or judicious business practice indicate alternate order would be more prudent.

Net Position

Invested in capital assets, net of related debt - This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Restricted net position - Restricted net position include resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties or by enabling legislation adopted by the District. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. The government-wide financial statements reported a restricted net position of \$22,706,776.

Unrestricted net position - Unrestricted net position represents resources available to be used for transactions relating to the general operations of the District, and may be used at the discretion of the governing board, as designated, to meet current expenses for specific future purposes.

Interfund Activity

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

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

Property Tax

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

NOTE 2 DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	\$ 60,390,653
Fiduciary funds	<u>1,167,037</u>
	<u>\$ 61,557,690</u>

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

Cash in bank	\$ 1,173,537
Cash in revolving	33,275
Investments	<u>60,350,878</u>
	<u>\$ 61,557,690</u>

Policies and Practices

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

NOTE 2 DEPOSITS AND INVESTMENTS

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

General Authorization

Limitations with respect to investments of the County Treasurer's pool, as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County pool. At June 30, 2013, the District has an investment with a fair value of \$60,350,878 with the Los Angeles County Investment Pool. This investment has an average weighted maturity of 632 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the county pool is not required to be rated, nor has it been rated as of June 30, 2013.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk - Deposits

This is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2013, none of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

NOTE 3 RECEIVABLES

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

	General Fund	Building Fund	Adult Education Fund	County School Facilities Fund	Non-major Governmental Funds	Total Governmental Funds
Federal Government Categorical Aid	\$ 1,812,445	\$ -	\$ 536,633	\$ -	\$ -	\$ 2,349,078
State Government						
Apportionment	14,387,082	-	-	-	-	14,387,082
Categorical Aid	2,614,533	-	-	-	842,186	3,456,719
Lottery	1,298,356	-	-	-	-	1,298,356
Local Government						
Interest	-	30,301	-	26,819	25,271	82,391
Other local sources	248,255	-	48,134	-	9,972	306,361
Total	<u>\$ 20,360,671</u>	<u>\$ 30,301</u>	<u>\$ 584,767</u>	<u>\$ 26,819</u>	<u>\$ 877,429</u>	<u>\$ 21,879,987</u>

**EI Monte Union High School District
Notes to the Financial Statements
Year ended June 30, 2013**

NOTE 4 CAPITAL ASSETS

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

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 5,719,005	\$ -	\$ -	\$ 5,719,005
Construction in process	4,536,804	538,878	-	5,075,682
Total capital assets not being depreciated	<u>10,255,809</u>	<u>538,878</u>	<u>-</u>	<u>10,794,687</u>
Capital assets being depreciated				
Land improvements	4,649,511	-	-	4,649,511
Buildings and improvements	250,643,266	39,071	818,000	249,864,337
Furniture and equipment	16,534,713	1,919,857	81,226	18,373,344
Total capital assets being depreciated	<u>271,827,490</u>	<u>1,958,928</u>	<u>899,226</u>	<u>272,887,192</u>
Less accumulated depreciation				
Land improvements	3,819,890	79,154	-	3,899,044
Buildings and improvements	48,652,561	4,707,052	711,660	52,647,953
Furniture and equipment	11,261,477	1,047,207	58,376	12,250,308
Total accumulated depreciation	<u>63,733,928</u>	<u>5,833,413</u>	<u>770,036</u>	<u>68,797,305</u>
Capital assets being depreciated, net	<u>208,093,562</u>	<u>(3,874,485)</u>	<u>129,190</u>	<u>204,089,887</u>
Governmental activities capital assets, net	<u>\$ 218,349,371</u>	<u>\$ (3,335,607)</u>	<u>\$ 129,190</u>	<u>\$ 214,884,574</u>

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

Instruction	\$ 5,259,972
Home-to-school transportation	181,342
All general administration	246,785
Plant services	145,314
	<u>5,833,413</u>

NOTE 5 INTERFUND TRANSACTIONS

Operating Transfers

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

The General Fund transferred to the Adult Education Fund for apportionment received	\$ <u>8,584,768</u>
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Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**EI Monte Union High School District
Notes to the Financial Statements
Year ended June 30, 2013**

NOTE 6 ACCOUNTS PAYABLE

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

	General Fund	Building Fund	Adult Education Fund	Nonmajor Governmental Funds	Total Governmental Activities
Federal apportionment	\$ 53,408	\$ -	\$ -	\$ -	\$ 53,408
State apportionment	13,923	-	-	-	13,923
Construction	-	-	48,126	-	48,126
Special education payable	1,776,425	-	-	-	1,776,425
All other vendor payables	1,753,439	20,913	-	231,291	2,005,643
Total	<u>\$ 3,597,195</u>	<u>\$ 20,913</u>	<u>\$ 48,126</u>	<u>\$ 231,291</u>	<u>\$ 3,897,525</u>

NOTE 7 LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due in One Year
General obligation bonds	\$ 128,211,040	\$ 32,882,044	\$ 4,710,000	\$ 156,383,084	5,215,000
Premium on bonds	8,208,813	1,789,819	994,273	9,004,359	-
Subtotal - GO bonds	136,419,853	34,671,863	5,704,273	165,387,443	5,215,000
General obligation bond anticipation notes	30,200,000	-	30,200,000	-	-
Premium on bond anticipation notes	1,940,652	-	1,940,652	-	-
Other postemployment benefits (OPEB)	3,509,438	1,936,326	632,251	4,813,513	-
PARS Supplemental Retirement Plan	4,286,567	-	1,533,352	2,753,215	1,533,352
Capital lease	813,285	500,000	285,219	1,028,066	296,064
Accumulated vacation - net	1,107,591	94,260	98,918	1,102,933	-
	<u>\$ 178,277,386</u>	<u>\$ 37,202,449</u>	<u>\$ 40,394,665</u>	<u>\$ 175,085,170</u>	<u>7,044,416</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. The accrued vacation will be paid by the fund for which the employee worked. Payments for other long-term obligations will be made by the General Fund.

General Obligation Bonds

The outstanding general obligation bonds are as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds				Bonds Outstanding End of year
				Outstanding July 1, 2012	Issued	Accreted	Redeemed	
6/24/2003	6/1/2028	2.50%-5.00%	\$ 25,000,000	\$ 2,065,000	\$ -	\$ -	\$ 805,000	\$ 1,260,000
3/30/2005	3/1/2015	3.00%-5.00%	35,000,000	3,485,000	-	-	1,115,000	2,370,000
6/27/2006	6/1/2021	3.89%-5.25%	38,929,927	39,446,572	-	829,698	1,695,000	38,581,270
2/27/2008	6/1/2032	2.40%-4.53%	29,997,257	28,705,000	-	-	515,000	28,190,000
6/16/2009	6/1/2034	2.51%-5.42%	54,001,305	54,509,468	-	431,162	540,000	54,400,630
8/22/2012	6/1/2042	1.68%- 7.00%	30,337,786	-	30,337,786	1,283,398	40,000	31,581,184
			<u>\$ 128,211,040</u>	<u>\$ 30,337,786</u>	<u>\$ 30,337,786</u>	<u>\$ 2,544,258</u>	<u>\$ 4,710,000</u>	<u>\$ 156,383,084</u>

NOTE 7 LONG-TERM OBLIGATIONS (CONTINUED)

Election of 2002, Series A

On June 24, 2003, the District issued \$25,000,000 of Series A General Obligation Bonds. The bonds mature beginning on June 1, 2004, through June 1, 2028, with interest yields ranging from 2.50 to 5.00 percent. The Series A General Obligation Bonds were issued for the purpose of financing the construction and renovation of school facilities and refunding the outstanding balance of the 1997 Certificates of Participation, 2001 Certificates of Participation, and 2002 Certificates of Participation. The District received net proceeds of \$25,230,135 (including a premium of \$1,163,515, deferred amounts on refunding of \$426,991, and payment of \$506,389 for issuance costs). At June 30, 2013, the Series A General Obligation Bonds principal balance outstanding was \$1,260,000 and unamortized premium, and deferred amounts on refunding were \$693,079 and \$130,204, respectively.

Election of 2002, Series B

On March 30, 2005, the District issued \$35,000,000 of Series B General Obligation Bonds. The bonds mature beginning on March 1, 2006, through March 1, 2015, with interest yields ranging from 3.00 to 5.00 percent. The Series B General obligation Bonds were issued for the purpose of financing the construction and renovation of school facilities. The District received net proceeds of \$36,001,303 (including a premium of \$1,656,803 and payment of \$655,500 for issuance costs). At June 30, 2013, the Series B General Obligation Bonds principal balance outstanding was \$2,370,000 and unamortized premium was \$205,058, respectively.

2006 General Obligation Refunding Bonds

On June 27, 2006, the District issued \$38,929,927 in General Obligation Refunding Bonds, with interest rates ranging from 3.89 to 5.25 percent, to finance the construction and renovation of school facilities, to advance refund \$11,995,000 of outstanding 2002 Series A General Obligation Bonds, and to advance refund \$25,055,000 of outstanding 2002 Series B General Obligation Bonds. The 2006 General Obligation Refunding Bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$7,695,073, and an aggregate principal debt service balance of \$46,625,000 and have a final maturity date of June 1, 2021. The District received net proceeds of \$43,680,001 (including a premium of \$5,426,259 deferred amounts on refunding of \$1,878,802, and a payment of \$676,185 in underwriter fees, insurance, and other issuance costs). At June 30, 2013, the 2006 General Obligation Refunding Bonds principal balance outstanding was \$38,581,270 and unamortized premium and deferred amounts on refunding were \$2,854,786, and \$988,482, respectively.

Election of 2002, Series C

On February 27, 2008, the District issued \$29,997,257 of Series C General Obligation Bonds. The bonds mature beginning on June 1, 2009, through June 1, 2032, with interest yields ranging from 2.40 to 4.53 percent. The series C bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$22,743, and an aggregate

NOTE 7 LONG-TERM OBLIGATIONS (CONTINUED)

principal debt service balance of \$30,020,000. The Series C General Obligation Bonds were issued for the purpose of financing the construction and renovation of school facilities. The District received net proceeds of \$31,182,257 (including a premium of \$1,834,920 and payment of \$649,920 for issuance costs). At June 30, 2013, the Series C General Obligation Bonds principal balance outstanding was \$28,190,000 and unamortized premium was \$1,428,991, respectively.

Election of 2008, Series A

On June 16, 2009, the District issued \$54,001,305 of Series A General Obligation Bonds. The bonds mature beginning on June 1, 2011, through June 1, 2034, with interest yields ranging from 2.51 to 5.42 percent. The Series A bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$3,593,695, and an aggregate principal debt service balance of \$57,595,000. The Series A General Obligation bonds were issued for the purpose of financing the construction and renovation of school facilities. The District received net proceeds of \$55,094,350 (including a premium of \$2,503,000 and payment of \$1,409,955 for issuance costs). At June 30, 2013, the Series A General Obligation Bonds principal balance outstanding was \$54,400,630 and unamortized premium was \$2,093,632, respectively.

Election of 2008, Series B

On August 22, 2012, the District issued \$30,337,786 of Series B General Obligation Bonds, with interest rates ranging from 1.68 to 7.00 percent, to pay off \$30,200,000 of outstanding 2011 Bond Anticipation Notes. The bonds mature beginning on June 1, 2013, through June 1, 2042. The Series B bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$85,502,044 and an aggregate principal debt service balance of \$115,839,830. The District received net proceeds of \$31,435,667 (including a premium of \$1,789,819 and payment of \$691,938 for issuance costs). At June 30, 2013, the Series B General Obligation Bonds principal balance outstanding was \$31,581,184 and unamortized premium was \$1,728,813, respectively.

The general obligation bonds mature through 2042 as follows:

Fiscal Year	Principal (including accreted interest to date)	Accreted Interest	Current Interest to Maturity	Total
2014	\$ 4,942,269	\$ 272,731	\$ 5,898,557	\$ 11,113,557
2015	5,204,729	585,271	5,844,432	11,634,432
2016	5,044,278	1,245,722	5,735,457	12,025,457
2017	6,684,076	370,924	5,704,232	12,759,232
2018	7,302,067	512,933	5,420,582	13,235,582
2019-2023	34,285,858	1,544,142	21,706,395	57,536,395
2024-2028	28,568,722	3,701,278	15,029,944	47,299,944
2029-2033	38,936,877	7,383,123	7,157,956	53,477,956
2034-2038	17,447,293	41,227,426	304,957	58,979,676
2039-2042	7,966,915	31,007,412	-	38,974,327
Total	\$ 156,383,084	\$ 87,850,962	\$ 72,802,512	\$ 317,036,558

NOTE 7 LONG-TERM OBLIGATIONS (CONTINUED)

Capital lease Obligation

The District has entered various capital lease agreements for photocopiers. Future minimum lease payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 296,064	\$ 43,299	\$ 339,363
2015	308,491	29,872	338,363
2016	318,416	19,946	338,362
2017	105,095	3,695	108,790
Total	\$ 1,028,066	\$ 96,812	\$ 1,124,878

Other Postemployment Benefits (OPEB) Obligation

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2009. The Districts' annual required contribution for the year ended June 30, 2013, was \$1,998,898 and contributions made by the District during the year were \$632,251. Interest on the net OPEB obligation was \$140,374, which resulted in an increase to the net OPEB obligation of \$1,304,075. As of June 30, 2013 the net OPEB obligation was \$4,813,513. See Note 9 for additional information regarding the OPEB obligation and the postemployment benefits plan.

PARS Supplemental Retirement Plan

During the 2008-2009 and 2009-2010 school years, the District adopted a supplemental early retirement plan whereby certain eligible employees are provided an annuity to supplement the retirement benefits they are entitled to through the California State Teachers' Retirement System and the California Public Employees' Retirement System. The annuities offered to the employees are to be paid over a five-year period. The annuities for 62 employees who retired during the 2008-2009 school year and 26 employees who retired during the 2010-2011 school year were purchased through the Pacific Life Insurance Company. There were no early retirements during the 2011-2012 and 2012-2013 school years. As of June 30, 2013, the balance was \$2,753,215.

Year Ending June 30,	Payment
2014	1,533,352
2015	753,496
2016	466,367
Total	\$ 2,753,215

Accumulated Unpaid Employee Vacation

The accumulated unpaid employee vacation for the District at June 30, 2013, amounted to \$1,102,933.

**El Monte Union High School District
Notes to the Financial Statements
Year ended June 30, 2013**

NOTE 8 FUND BALANCES

Fund balances are composed of the following elements:

FUND BALANCES	General Fund	Building Fund	Adult Education Fund	County Schools Facilities Fund	Nonmajor Governmental Funds	Total
Nonspendable						
Revolving cash	\$ 30,000	\$ -	\$ 625	\$ -	\$ 2,650	\$ 33,275
Store inventories	275,827	-	218,086	-	18,150	512,063
Restricted						
Legally restricted programs	-	-	-	11,753,979	3,419,968	15,173,947
Capital projects	-	13,044,039	-	-	-	13,044,039
Debt service	3,625,377	-	-	-	3,907,452	7,532,829
Unassigned						
Reserve for economic uncertainties	2,970,929	-	-	-	-	2,970,929
Unassigned	7,709,154	-	-	-	-	7,709,154
Special revenue funds	-	-	13,025,125	-	3,240,335	16,265,460
Capital projects	-	-	-	-	1,512,761	1,512,761
Total fund balance	\$ 14,611,287	\$ 13,044,039	\$ 13,243,836	\$ 11,753,979	\$ 12,101,316	\$ 64,754,457

See also Note 1.

NOTE 9 POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefit Plan (the "Plan") is a single employer defined benefit healthcare plan administered by El Monte Union High School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 85 retirees and beneficiaries currently receiving benefits and 1022 active plan members.

Contribution information

The contribution requirements of plan members and the District are established and may be amended by the District and the Teachers Association (CTA), the local California Service Employees Association (CSEA), and unrepresented groups. Currently, the District finances its OPEB contributions using a pay-as-you-go method. The required Contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2012-2013, the District contributed \$632,251 to the plan, all of which was used for current premium payments.

Annual OPEB Cost and Net OPEB Obligation

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

NOTE 9 POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION (CONTINUED)

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$	1,998,898
Interest on net OPEB obligation		140,374
Adjustment to annual required contribution		<u>(202,946)</u>
Annual OPEB cost (expense)		1,936,326
Contributions made		<u>(632,251)</u>
Increase in net OPEB obligation		1,304,075
Net OPEB obligation, beginning of year		<u>3,509,438</u>
Net OPEB obligation, end of year	\$	<u><u>4,813,513</u></u>

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2011	\$ 2,084,212	\$ 847,238	41%	\$ 2,301,531
2012	2,146,061	935,154	44%	3,509,438
2013	1,936,326	632,251	33%	4,813,513

Funded Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
July 1, 2010	\$ -	\$ 16,803,652	\$ 16,803,652	0%	\$ 67,096,590	25.04%
July 1, 2012	-	17,103,342	17,103,342	0%	73,785,892	23.18%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trends. 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.

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-2013 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$3,659,651, \$3,687,967 and \$3,729,356, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate and those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-2013 was 9.709 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$1,845,498, \$1,687,185, and \$1,711,739, respectively.

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS which amounted to approximately \$2,003,714 (4.517 percent of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. As a result, these amounts have been included in these financial statements. On behalf payments have been excluded from the calculation of available reserves and have not been included in the budget amounts reported in the General and Adult Education Funds budgetary schedules.

NOTE 12 COMMITMENT AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2013.

NOTE 12 COMMITMENT AND CONTINGENCIES (CONTINUED)

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2013.

Construction Commitments

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

Capital Projects	Remaining Construction Commitment	Expected Completion
Rosemead High School Growth	\$ 183,205	6/30/2014
Arroyo High School Growth	172,703	6/30/2014
New District Office	150,000	6/30/2014
Mountain View High School - CTE	1,956,179	6/30/2014
South El Monte High School - CTE	1,805,099	6/30/2014
South El Monte High School - Fieldhouse	4,383,500	6/30/2014
	\$ 8,650,686	

Operating Leases

The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Payment
2014	\$ 55,965
Total	\$ 55,965

Rental expenditures for the year ended June 30, 2013 amounted to \$399,651.

NOTE 13 PARTICIPATION IN JOINT POWER AUTHORITIES

The District is a member of MERGE. The District pays an annual premium to the entity for its workers' compensation, property liability, and excess liability coverage. MERGE obtains excess liability coverage for its members through SELF (School Excess Liability Fund). The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

NOTE 13 PARTICIPATION IN JOINT POWER AUTHORITIES (CONTINUED)

This entity has budgeting and financial reporting requirements independent of member units and its financial statements are not presented in these financial statements; however, fund transactions between the entity and the District are included in these statements. Audited financial statements are available from the identified entity.

During the year ended June 30, 2013, the District made payments of \$1,480,657 to MERGE for its workers' compensation, property liability, and excess liability coverage.

NOTE 14 FISCAL ISSUES RELATING TO BUDGET REDUCTIONS

The State of California continues to suffer the effects of a recessionary economy. California school districts are reliant on the State of California to appropriate the funding necessary to continue the level of educational services expected by the State constituency. With the implementation of education trailer bill Senate Bill 16 of the 2009-10 Fourth Extraordinary Session (SBX4 16) (Chapter 23, Statutes of 2009), approximately 25 percent of current year appropriations have now been deferred to a subsequent period, creating significant cash flow management issues for districts in addition to requiring substantial budget reductions, ultimately impacting the ability of California school districts to meet their goals for educational services.

NOTE 15 MEASURE D GENERAL OBLIGATION BONDS PERFORMANCE AUDIT

The District conducted an internal investigation relative to potential improper activity with regard to bond construction projects. During the fiscal year, the District spent \$538,000 thousand in Measure D Bond expenditures which were capitalized as part of Construction in Progress as of June 30, 2013. For the fiscal year ended June 30, 2013, the District was in compliance with the applicable laws and regulations, including the provisions of Section 1(b)(3)(c) of Article XIII A of the California Constitution and Proposition 39 per report of other auditors dated November 27, 2013.

NOTE 16 RESTATEMENT DUE TO CHANGE IN ACCOUNTING PRINCIPLE

Pursuant to GASB Statement No. 65, *"Items Previously Reported as Assets and Liabilities,"* the District no longer amortizes the cost of debt issuance. These amounts should be expensed in the year they are incurred. The District made adjustments to write off the remaining unamortized bond issuance cost and reported the effect of the adjustments as cumulative effect of change in accounting principle in the current fiscal year. The District's beginning net position balance has been restated as follows to reflect the effect of GASB 65 implementation:

NOTE 16 RESTATEMENT DUE TO CHANGE IN ACCOUNTING PRINCIPLE (CONTINUED)

Net position at June 30, 2012, as previously reported	\$	105,357,930
Cumulative effect of change in accounting principle		<u>(3,073,525)</u>
Net position at June 30, 2012, as previously restated	\$	<u><u>102,284,405</u></u>

NOTE 17 DEFERRED OUTFLOW OF RESOURCES

Pursuant to GASB Statement No. 63, *“Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”* and GASB Statement No. 65, *“Items Previously Reported as Assets and Liabilities,”* the District recognized deferred outflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of refunded debt and its reacquisition price (deferred charge on refunding). Previous financial reporting standards require this to be presented as part of the District’s long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. At June 30, 2013, the deferred charge on refunding was \$1,118,686.

NOTE 18 SUBSEQUENT EVENTS

The District has evaluated events subsequent to June 30, 2013 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 4, 2013, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred other than the ones disclosed in the preceding paragraphs that require recognition or additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**EI Monte Union High School District
Budgetary Comparison Schedule
General Fund
Year ended June 30, 2013**

	(Unaudited) Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Revenue limit sources	\$ 54,136,339	\$ 58,408,007	\$ 58,297,780	\$ (110,227)
Federal sources	6,692,066	6,853,499	6,119,678	(733,821)
Other state sources	23,803,501	25,455,183	25,721,353	266,170
Other local sources	6,048,398	7,678,032	7,946,938	268,906
Total revenues	<u>90,680,304</u>	<u>98,394,721</u>	<u>98,085,749</u>	<u>(308,972)</u>
Expenditures				
Current				
Certificated salaries	41,511,627	41,907,520	41,192,193	715,327
Classified salaries	14,400,762	14,386,993	14,140,213	246,780
Employee benefits	19,370,206	18,761,071	18,559,352	201,719
Books and supplies	3,346,830	4,993,687	3,358,553	1,635,134
Services and operating expenditures	11,003,866	11,610,794	10,778,580	832,214
Other Outgo	1,358,010	2,228,674	2,255,933	(27,259)
Capital Outlay	6,822	681,617	661,392	20,225
Total expenditures	<u>90,998,123</u>	<u>94,570,356</u>	<u>90,946,216</u>	<u>3,624,140</u>
Excess (Deficiency) of revenues over expenditures	<u>(317,819)</u>	<u>3,824,365</u>	<u>7,139,533</u>	<u>3,315,168</u>
Other financing sources (uses)				
Proceeds from capital lease	-	500,000	500,000	-
Transfers out	(6,036,635)	(9,332,774)	(8,584,768)	748,006
Net other financing sources (uses)	<u>(6,036,635)</u>	<u>(8,832,774)</u>	<u>(8,084,768)</u>	<u>748,006</u>
Change in fund balances	(6,354,454)	(5,008,409)	(945,235)	4,063,174
Fund balance - beginning of year	15,556,522	15,556,522	15,556,522	-
Fund balance - end of year	<u>\$ 9,202,068</u>	<u>\$ 10,548,113</u>	<u>\$ 14,611,287</u>	<u>\$ 4,063,174</u>

**EI Monte Union High School District
Budgetary Comparison Schedule
Adult Education Fund
Year ended June 30, 2013**

	(Unaudited) Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Federal sources	\$ 1,082,096	\$ 1,309,032	\$ 1,309,122	\$ 90
Other state sources	77,258	77,564	457,333	379,769
Other local sources	384,665	605,262	891,505	286,243
Total revenues	<u>1,544,019</u>	<u>1,991,858</u>	<u>2,657,960</u>	<u>666,102</u>
Expenditures				
Current				
Certificated salaries	4,479,927	4,679,583	4,450,611	228,972
Classified salaries	2,256,168	2,447,958	2,198,805	249,153
Employee benefits	1,712,394	1,873,020	1,762,357	110,663
Books and supplies	464,083	450,453	349,011	101,442
Services and operating expenditures	1,517,958	1,365,750	834,600	531,150
Other Outgo	450,124	459,966	400,667	59,299
Capital Outlay	-	73,764	73,329	435
Total expenditures	<u>10,880,654</u>	<u>11,350,494</u>	<u>10,069,380</u>	<u>1,281,114</u>
Excess (Deficiency) of revenues over expenditures	<u>(9,336,635)</u>	<u>(9,358,636)</u>	<u>(7,411,420)</u>	<u>1,947,216</u>
Other financing sources (uses)				
Transfers in	6,036,635	9,332,774	8,584,768	(748,006)
Net other financing sources (uses)	<u>6,036,635</u>	<u>9,332,774</u>	<u>8,584,768</u>	<u>(748,006)</u>
Change in fund balances	(3,300,000)	(25,862)	1,173,348	1,199,210
Fund balance - beginning of year	12,070,488	12,070,488	12,070,488	-
Fund balance - end of year	<u>\$ 8,770,488</u>	<u>\$ 12,044,626</u>	<u>\$ 13,243,836</u>	<u>\$ 1,199,210</u>

EI Monte Union High School District
Schedule of Other Postemployment Benefits (OPEB) Funding Progress (Unaudited)
Year ended June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2010	\$ -	\$ 16,803,652	\$ 16,803,652	0%	\$ 67,096,590	25.04%
July 1, 2012	-	17,103,342	17,103,342	0%	73,785,892	23.18%

SUPPLEMENTARY INFORMATION

**EI Monte Union High School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S DEPARTMENT OF EDUCATION			
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP): GEAR UP - Rio Hondo Education Consortium	84.334A	N/A	49,396
Passed through California Department of Education (CDE):			
No Child Left Behind Act (NCLB)			
Title I - Part A Cluster			
Title I, Part A - Low Income and Neglected	84.010	14329	2,851,957
Title I, Part C - Migrant Education	84.011	14326	29,258
Title II, Part A - Improving Teacher Quality	84.367 *	14341	470,036
Title III - Limited English Proficient Student Program	84.365	10084	292,742
Carl D. Perkins Vocational and Technical Education Act of 1998			
Career and Technical Education - Basic Grants to State Secondary Education	84.048	13924	303,233
Passed through West San Gabriel Valley SELPA:			
Individuals with Disabilities Education Act (IDEA)			
Special Education Cluster (IDEA)			
Mental Health Allocation Plan	84.027A	14468	112,038
Local Assistance Entitlements	84.027	13379	1,616,953
Total Special Education Cluster (IDEA)			<u>1,728,991</u>
U.S. Department of Education Total			<u>5,676,217</u>
U.S DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education			
National School Lunch program	10.555 *	13396	<u>4,166,041</u>
Total Federal Awards			<u>\$ 9,891,654</u>

* Represents Major Program

See accompanying notes to supplementary information

ORGANIZATION

The El Monte Union High School District was established in 1901 and serves the communities of El Monte, South El Monte, and Rosemead. The District operates five comprehensive high schools, one continuation high school, an independent study program, a community day school, and an adult education program. There were no boundary changes during the year.

GOVERNING BOARD

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Theresa A. Velasco	President	2014
Salvador Ramirez	Member	2014
Juanita M. Gonzalez	Member	2014
Maria Elena Talamantes	Member	2014
Carlos G. Salcedo	Member	2014

ADMINISTRATION

Nick J. Salerno	Superintendent and Secretary to the Board
Ryan Di Giulio	Chief Business Official
Joel Kyne	Assistant Superintendent, Educational Services
Edward Zuniga	Assistant Superintendent, Personnel

**EI Monte Union High School District
Schedule of Average Daily Attendance
Year ended June 30, 2013**

		Final Report	
		Second Period Report	Annual Report
SECONDARY			
Regular class		8,385	8,349
Continuation education		310	295
Opportunity schools		55	55
Home and hospital		6	6
Community day school		36	38
Special Education		453	451
	Total secondary	9,245	9,194

**EI Monte Union High School District
Schedule of Instructional Time
Year ended June 30, 2013**

Grade Level	1982-83 Actual Minutes	Reduced 1982-83 Actual Minutes	1986-87 Minutes Requirement	Reduced 1986-87 Actual Minutes	2012-13 Actual minutes	Number of Days		Status
						Traditional Calendar	Multitract Calendar	
Grades 9-12	62,800	58,613	64,800	60,480				
Grade 9					64,857	180	-	Complied
Grade 10					64,857	180	-	Complied
Grade 11					64,857	180	-	Complied
Grade 12					64,857	180	-	Complied

See accompanying notes to supplementary information

**EI Monte Union High School District
Reconciliation of Annual Financial and Budget Report
with Audited Financial Statements
Year ended June 30, 2013**

There were no adjustments made to the Annual Financial and Budget Report Fund Balances.

See accompanying notes to supplementary information

**EI Monte Union High School District
Schedule of Financial Trends and Analysis – General Fund
Year ended June 30, 2013**

GENERAL FUND	(Unaudited)			
	Budget 2014 (1)	2013	2012	2011
Revenues	\$ 96,155,929	\$ 98,085,749	\$ 94,470,479	\$ 97,262,280
Other sources	-	-	-	-
Total revenues and other sources	<u>96,155,929</u>	<u>98,085,749</u>	<u>94,470,479</u>	<u>97,262,280</u>
Expenditures	89,012,431	90,946,216	92,925,358	93,259,836
Other uses and transfer out	7,422,374	8,084,768	6,568,162	11,563,573
Total expenditures and transfer out	<u>96,434,805</u>	<u>99,030,984</u>	<u>99,493,520</u>	<u>104,823,409</u>
Increase (decrease) in fund balance	<u>(278,876)</u>	<u>(945,235)</u>	<u>(5,023,041)</u>	<u>(7,561,129)</u>
Ending fund balance	<u>14,332,411</u>	<u>14,611,287</u>	<u>15,556,522</u>	<u>20,579,563</u>
Available reserves (2)	<u>9,531,367</u>	<u>10,680,083</u>	<u>14,343,608</u>	<u>20,073,617</u>
Available reserves as a percentage of total outgo (3)	<u>9.9%</u>	<u>10.8%</u>	<u>14.4%</u>	<u>19.15%</u>
Long-term obligations	<u>N/A</u>	<u>175,085,170</u>	<u>177,009,005</u>	<u>179,959,854</u>
K-12 average daily attendance at P-2 (4)	<u>9,282</u>	<u>9,245</u>	<u>9,479</u>	<u>9,676</u>

The General Fund balance decreased by \$945,235 during the year 2013 and decreased \$5,968,276 over the last two years. The fiscal year 2013-14 budget projects a further decrease of \$278,876 (1%). For a District of this size, the State recommends available reserve of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District anticipates incurring an operating deficit during fiscal year 2013-2014. Total long-term obligations have decreased by \$1,923,835 because of the payment of general obligation bonds during the year.

Average daily attendance decreased by 431 over the past two years. The District expects an increase in the ADA by 37 during the fiscal year 2013-2014.

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- (1) Budget 2014 is included for analytical purposes only and has not been subjected to audit.
(2) Available reserves consist of all funds reserved for economic uncertainty of \$2,970,929 and the remaining \$7,709,154 unassigned fund balance contained within the General Fund.
(3) On behalf payments of \$2,003,714 \$2,019,218, \$1,934,235 and \$1,990,319 have been excluded from the calculation of available reserves for the fiscal years ended June 30, 2013, 2012, 2011 and 2010.
(4) Excludes adult education ADA.

**EI Monte Union High School District
Combining Balance Sheet
Fiduciary Fund Types – Agency Funds
Year ended June 30, 2013**

	<u>Scholarship Fund</u>	<u>Arroyo High</u>	<u>EI Monte High</u>	<u>Mountain View High</u>	<u>Rosemead High</u>	<u>South EI Monte High</u>	<u>Total</u>
ASSETS							
Deposits and investments	\$ <u>165,004</u>	\$ <u>416,228</u>	\$ <u>109,614</u>	\$ <u>80,667</u>	\$ <u>212,883</u>	\$ <u>182,641</u>	\$ <u>1,167,037</u>
LIABILITIES							
Due to student groups	\$ <u>165,004</u>	\$ <u>416,228</u>	\$ <u>109,614</u>	\$ <u>80,667</u>	\$ <u>212,883</u>	\$ <u>182,641</u>	\$ <u>1,167,037</u>

See accompanying notes to supplementary information

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
ASSETS				
Deposits and investments	\$ 51,437	\$ 1,740,505	\$ 1,961,670	\$ 2,361,310
Receivables	11,999	852,158	4,705	5,115
Store inventories	-	18,150	-	-
Total assets	<u>63,436</u>	<u>2,610,813</u>	<u>1,966,375</u>	<u>2,366,425</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	-	130,855	-	100,436
Salaries and benefits payable	21,405	73,250	-	-
Total liabilities	<u>21,405</u>	<u>204,105</u>	<u>-</u>	<u>100,436</u>
FUND BALANCES				
Nonspendable				
Revolving cash	-	2,650	-	-
Stores inventories	-	18,150	-	-
Restricted				
Legally restricted programs	14,041	1,139,938	-	2,265,989
Debt service	-	-	-	-
Unassigned				
Special revenue funds	27,990	1,245,970	1,966,375	-
Capital projects funds	-	-	-	-
Total fund balance	<u>42,031</u>	<u>2,406,708</u>	<u>1,966,375</u>	<u>2,265,989</u>
Total liabilities and fund balance	<u>\$ 63,436</u>	<u>\$ 2,610,813</u>	<u>\$ 1,966,375</u>	<u>\$ 2,366,425</u>

**EI Monte Union High School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013**

Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Unit	Total Nonmajor Governmental Funds
\$ 1,509,309	\$ 3,907,344	\$ 108	\$ 11,531,683
3,452	-	-	877,429
-	-	-	18,150
<u>1,512,761</u>	<u>3,907,344</u>	<u>108</u>	<u>12,427,262</u>
-	-	-	231,291
-	-	-	94,655
-	-	-	<u>325,946</u>
-	-	-	2,650
-	-	-	18,150
-	-	-	3,419,968
-	3,907,344	108	3,907,452
-	-	-	3,240,335
1,512,761	-	-	1,512,761
<u>1,512,761</u>	<u>3,907,344</u>	<u>108</u>	<u>12,101,316</u>
<u>\$ 1,512,761</u>	<u>\$ 3,907,344</u>	<u>\$ 108</u>	<u>\$ 12,427,262</u>

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
REVENUES				
Federal sources	\$ 14,069	\$ 4,166,042	\$ -	\$ -
Other state sources	41,558	355,608	-	-
Other local sources	<u>363,508</u>	<u>447,393</u>	<u>14,784</u>	<u>85,646</u>
Total revenues	<u>419,135</u>	<u>4,969,043</u>	<u>14,784</u>	<u>85,646</u>
EXPENDITURES				
Current				
Instruction	321,730	-	-	-
Instruction-related activities				
School site administration	61,654	-	-	-
Pupil services				
Food services	-	4,402,143	-	-
General administration				
All other general administration	21,576	357,921	-	-
Plant services	-	-	570,355	15,000
Facility acquisition and construction	-	-	-	37,480
Enterprise services	-	374,332	-	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total expenditures	<u>404,960</u>	<u>5,134,396</u>	<u>570,355</u>	<u>52,480</u>
Excess (Deficiency) of revenues over expenditures	<u>14,175</u>	<u>(165,353)</u>	<u>(555,571)</u>	<u>33,166</u>
Other financing sources (uses)				
Proceeds and premiums from issuance of bonds	-	-	-	-
Payment to bond escrow agent	-	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	14,175	(165,353)	(555,571)	33,166
Fund balance - beginning	<u>27,856</u>	<u>2,572,061</u>	<u>2,521,946</u>	<u>2,232,823</u>
Fund balance - ending	<u>\$ 42,031</u>	<u>\$ 2,406,708</u>	<u>\$ 1,966,375</u>	<u>\$ 2,265,989</u>

EI Monte Union High School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
Year ended June 30, 2013

Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Unit	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 4,180,111
-	98,633	-	495,799
9,699	10,549,724	-	11,470,754
<u>9,699</u>	<u>10,648,357</u>	<u>-</u>	<u>16,146,664</u>
-	-	-	321,730
-	-	-	61,654
-	-	-	4,402,143
-	-	-	379,497
-	-	-	585,355
-	-	-	37,480
-	-	-	374,332
-	4,710,000	-	4,710,000
-	5,986,888	-	5,986,888
-	10,696,888	-	16,859,079
<u>9,699</u>	<u>(48,531)</u>	<u>-</u>	<u>(712,415)</u>
-	-	32,127,605	32,127,605
-	-	(32,127,605)	(32,127,605)
-	-	-	-
9,699	(48,531)	-	(712,415)
<u>1,503,062</u>	<u>3,955,875</u>	<u>108</u>	<u>12,813,731</u>
<u>\$ 1,512,761</u>	<u>\$ 3,907,344</u>	<u>\$ 108</u>	<u>\$ 12,101,316</u>

**EI Monte Union High School District
General Fund Selected Financial Information
Three-Year Summary of Revenues, Expenditures, and Changes in Fund Balance
Year ended June 30, 2013**

(Amounts in thousands)	Actual Results for the Years					
	2012-2013		2011-2012		2010-2011	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
Revenues						
Federal revenue	\$ 6,119	6.2	\$ 8,024	8.5	\$ 12,147	12.5
State and local revenue included in revenue limit	58,298	59.4	59,403	62.9	59,568	61.2
Other state revenue	25,721	26.2	19,470	20.6	19,812	20.4
Other local revenue	7,948	8.1	7,573	8.0	5,735	5.9
Tuition and transfers in	-	-	-	-	-	-
Total revenues	98,086	100.0	94,470	100.0	97,262	100.0
Expenditures						
Salaries and benefits						
Certificated salaries	41,192	42.0	41,027	43.4	40,955	42.1
Classified salaries	14,140	14.4	14,615	15.5	14,195	14.6
Employee benefits	18,559	18.9	18,695	19.8	17,233	17.7
Total salaries and benefits	73,892	75.3	74,337	78.7	72,383	74.4
Books and supplies	3,359	3.4	3,409	3.6	5,830	6.0
Contracts and operating expenses	10,779	11.0	12,939	13.7	13,293	13.7
Capital outlay	2,256	2.3	1,099	1.2	371	0.4
Other outgo	661	0.7	1,141	1.2	1,383	1.4
Total expenditures	90,946	92.7	92,925	98.4	93,260	95.9
Excess of revenues over expenditures	7,140	7.3	1,545	1.6	4,002	4.1
Other financing sources (uses)						
Proceeds from capital lease	500	0.5	1,000	1.1	-	-
Outgoing transfers (Other uses)	(8,585)	(8.8)	(7,568)	(8.0)	(11,563)	(11.9)
Net other financing uses	(8,085)	(8.2)	(6,568)	(7.0)	(11,563)	(11.9)
Increase/(decrease) in fund balance	(945)	(1.0)	(5,023)	(5.3)	(7,561)	(7.8)
Fund balance - beginning of year	15,556		20,579		28,140	*
Fund balance - end of year	\$ 14,611		\$ 15,556		\$ 20,579	

* Starting in the fiscal year 10-11, the Special Reserve for Postemployment Benefits Fund is presented as part of the General Fund.

**EI Monte Union High School District
Cafeteria Fund Selected Financial Information
Three-Year Summary of Revenues, Expenditures, and Changes in Fund Balance
Year ended June 30, 2013**

(Amounts in thousands)	Actual Results for the Years					
	2012-2013		2011-2012		2010-2011	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
Revenues						
Federal - NSLP	\$ 4,166	83.8	\$ 4,034	81.3	\$ 3,887	81.5
State meal program	356	7.2	351	7.1	335	7.0
Food sales	447	9.0	572	11.5	514	10.8
Other	-	-	3	0.1	34	0.7
Total revenues	4,969	100	4,960	100.0	4,770	100.0
Expenditures						
Salaries and employee benefits	1,802	36.3	1,784	36.0	1,807	37.9
Food	2,652	53.4	2,437	49.1	2,188	45.9
Supplies	206	4.1	150	3.0	88	1.8
Other	474	9.5	395	8.0	305	6.4
Total expenditures	5,134	103.3	4,766	96.1	4,388	92.0
Increase in fund balances	(165)	(3.3)	194	3.9	382	8.0
Fund balance - beginning of year	2,572		2,378		1,996	
Fund balance - end of year	\$ 2,407		\$ 2,572		\$ 2,378	

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2012-2013		2011-2012		2010-2011	
	Amount	Percent	Amount	Percent	Amount	Percent
	TYPE 'A' LUNCHES					
Paid	\$ 69,839	5.7	\$ 74,875	6.2	\$ 91,791	7.5
Reduced price	160,318	13.2	155,442	12.8	150,051	12.2
Free	986,591	81.1	982,510	81.0	984,277	80.3
Total lunches	\$ 1,216,748	100.0	\$ 1,212,827	100.0	\$ 1,226,119	100.0
BREAKFAST						
Paid	\$ 15,050	3.1	\$ 15,359	3.2	\$ 16,341	3.8
Reduced price	59,762	12.2	57,498	12.1	51,482	12.1
Free	413,413	84.7	402,004	84.7	357,246	84.0
Total breakfast	\$ 488,225	100.0	\$ 474,861	100.0	\$ 425,069	100.0

NOTE 1 PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial state

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2013. The unspent balances have been expended in the current period.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures and Changes in Fund Balance		\$ 11,608,911
Title I, Part A - Low Income and Neglected	84.010	(426,296)
Title I, Part C - Migrant Education	84.011	(9,026)
Career and Technical Education - Basic Grants to State Secondary Education	84.048	(249,754)
Title II, Part A - Improving Teacher Quality	84.367	(37,895)
Title III - Limited English Proficient Student Program	84.365	(19,911)
Special Education IDEA - Local Assistance Entitlements	84.027	(974,375)
Total Schedule of Expenditures of Federal Awards		\$ 9,891,654

Subrecipients

Of the Federal expenditures presented in the schedule, the District passed through Federal awards to subrecipients as follows:

Subrecipients

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Amount Provided to Subrecipients
Gaining Early Awareness and Readiness for Undergraduate Program	84.334 A	\$ 49,396

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

NOTE 1 PURPOSE OF SCHEDULES (CONTINUED)

Schedule of Instructional Time

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

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. Senate Bill of the 2009-10 Fourth Extraordinary Session (SBX 42) allows for an equivalent five-day reduction to the required number of instruction minutes for the fiscal years 2009-10 through 2012-13.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Nonmajor Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance

The Nonmajor Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance is included to provide information regarding the individual funds that have been included in the Nonmajor Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.

General Fund Selected Financial Information

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

Cafeteria Fund Selected Financial Information

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

INDEPENDENT AUDITORS' REPORTS

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**Report of Independent Auditors 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**

**The Honorable Board of Trustees
El Monte Union High School District
El Monte, California**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of El Monte Union High School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 4, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated December 4, 2013.

Purpose of this Report

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

A handwritten signature in black ink that reads "Vasquez & Company LLP". The signature is written in a cursive, flowing style.

Los Angeles, California
December 4, 2013

**Report of Independent Auditors 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**

**The Honorable Board of Trustees
El Monte Union High School District
El Monte, California**

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, 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 items 13-01 and 13-02. Our opinion on each major federal program is not modified with respect to these matters.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

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

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

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

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



Los Angeles, California
December 4, 2013

Report of Independent Auditors on State Compliance

**The Honorable Board of Trustees
El Monte Union High School District
El Monte, California**

Report on State Compliance

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

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-2013*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion on State Compliance

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is described in the accompanying schedule of findings questioned costs as item 13-03. Our opinion on state compliance is not modified with respect to these matters.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Procedures Performed

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:

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certifications and Misassignments	3	Yes
Kindergarten Continuance	3	Not Applicable
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Instructional Materials General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement – Receipt of Funds	1	Yes
Juvenile Court Schools	8	Not Applicable
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Not Applicable
Option one classes	3	Not Applicable
Option two classes	4	Not Applicable
District or charter schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program:		
General requirements	4	Not Applicable
After school	5	Not Applicable
Before school	6	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	1	Not Applicable
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	4	Not Applicable



Los Angeles, California
December 4, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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**EI Monte Union High School District
 Schedule of Findings and Questioned Costs –
 Summary of Auditors' Results
 Year ended June 30, 2013**

Financial Statements

Type of auditors' report issued on the financial statements	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted	None

Federal Awards

Internal control over its major programs:	
• Material weakness(es) identified	No
• Significant deficiency (ies) identified that are not considered to be material weaknesses	None reported
Type of auditors' report issued on compliance for its major programs	Unmodified
Any audit findings that are required to be reported in accordance with Circular A-133, Section 510(a)	Yes

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.555	National School Lunch Program
84.367	Title II, Part A - Improving Teacher Quality

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as a low-risk auditee	Yes

None reported.

Finding # 13-01 – Controls over Procurement, Suspension and Debarment (5000)

Federal Catalog Number:	10.555
Program Name:	National School Lunch Program
Federal Agency:	U.S. Department of Agriculture (DOA)
Pass- Through Agency:	California Department of Education (CDE)
Federal Award Year:	July 1, 2012 to June 30, 2013

Criteria

Federal procurement standard 45CFR95 states that entities are prohibited from contracting with or making sub-awards under covered contract transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of \$100,000 and all non-procurement transactions. Contractors receiving individual awards for \$100,000 or more and all subrecipients must certify that the organization and its principals have not been subject to suspension and debarment proceedings.

Federal procurement standard 44 CFR 13 requires all procurement transactions to be conducted in a manner providing full and open competition consistent with federal regulations standards. In addition, a cost analysis is necessary when adequate price competition is lacking and for sole source procurements unless price reasonableness can be established on other bases mentioned in 44 CFR 13. A price analysis will be used in all other instances to determine the reasonableness of pricing. Per District policy, amounts of \$10,000 - \$62,399, a written quotation from at least three viable vendors are required.

Condition

During our review of ten (10) vendors selected for testing, we noted the following:

- a. The District did not perform a search in the Excluded Parties List System (EPLS) to ensure that none of the selected vendors were on the list of debarred vendors.
- b. Five (5) records did not include required documentation showing a cost or price analysis, or written quotation from at least three viable vendors, as required by District policy.

Questioned Cost

N/A

Cause

Lack of enforcement of current policies and procedures over procurement, suspension and debarment.

Effect

Failure to properly monitor procurement activities and the risk of doing business with a contractor on the federal debarment list can cause the District to be not in compliance with OMB Circular A-133.

Recommendation

We recommend the District to implement policies and procedures that provide guidance emphasizing the departments to take necessary steps to ensure compliance with procurement guidelines prescribed by federal guidelines and district policy.

Views of Responsible Officials and Planned Corrective Action

Condition A

The Purchasing Department maintains the link and access to the Excluded Parties List System (EPLS). For 2013-2014 Food Services staff will have access to the system so that they can verify that all Food Service vendors are not on the suspended or debarred list.

Condition B

The District reviewed the five vendors noted in the exceptions. The five vendors were:

1. Galasso's
2. American Paper and Plastic
3. Kenneth R Starr Air Conditioning
4. BJ's Pizza
5. Pick up Stix

The District is a part of the San Gabriel Purchasing Co-Op. As a member of this entity the District is able to piggy back on bids with other Districts.

Galasso's

In 2012 -2013 the co-op offered two bread bids, one with Goldstar Foods and other with the South Bay Co-op. The District chose not to go with either of the two due to the low quality of the bread products, and instead chose to go with Galasso's. Even though the District is using Galasso's without a bid, it is well below the bid threshold in the amount purchase for perishable food items.

American Paper and Plastic

This company is under the San Gabriel Valley Purchasing Co-Op paper bid awarded July 19, 2010 (board approved by Covina Valley USD). The bid was rolled over in July 2012, and it is a formal bid awarded by line item. All items purchased by the District were the items awarded on the formal bid.

Kenneth R Starr Air Conditioning

The District has obtained quotes in the past for this service, and going forward will obtain quotes from other vendors. In the past, it was found that other vendors did not provide the quality service of repair provided by the above vendor. In many instances, refrigerators have perishables and need to be repaired quickly and adequately.

BJ's Pizza

The District plans to go out to bid for pizza in the 2013 - 2014 year.

Pick Up Stix

The District Board approved the above vendor as a sole source vendor.

Finding # 13-02 –Compliance Over Equipment and Real Property Management (5000)

Federal Catalog Number:	10.555
Program Name:	National School Lunch Program
Federal Agency:	U.S. Department of Agriculture (DOA)
Pass- Through Agency:	California Department of Education (CDE)
Federal Award Year:	July 1, 2012 to June 30, 2013

Criteria

The A-102 Common Rule and OMB Circular A-110 require that equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained.

Condition

During the course of our audit, we were not able to identify an inventory list to track Food Program equipment purchased, and a physical inspection of the equipment had not been performed in the last two years.

Questioned Cost

None

Cause

Lack of enforcement of current policies and procedures over equipment and real property management.

Effect

Failure to properly maintain equipment records and perform required physical inventory counts may result in the District being in non-compliance with federal guidelines related to equipment and real property management.

Recommendation

We recommend the District to implement policies and procedures that provide guidance emphasizing the departments to take necessary steps to ensure compliance with the applicable federal guidelines related to equipment and real property management.

Views of Responsible Officials and Planned Corrective Action

The Food Service Program has been working on a Fixed Asset system for the past year. Due to the Mountain View Fire in January 2013, much of the resources of the department were reprioritized to address the event. The District is on track to implement an inventory program for Food Service equipment and the technology Department is building a system (similar of that used by the Categorical Programs Office), to track Food Services Fixed Assets.

Finding # 13-03– Independent Study (4000)

Criteria

Education Code Section 51747 (c) requires that a current written agreement for each independent study pupil be maintained on file as a condition for apportionment attendance. In addition, each written agreement shall contain a number of required elements, such as:

- Signatures, affixed prior to the commencement of independent study, by the pupil or adult education student; the pupil's parent, legal guardian, or caregiver and the certificated employee of the District who has been designated as having responsibility for the general supervision of independent study.
- The duration of the independent study agreement, including the beginning and ending dates for the pupil's or adult education student's participation in independent study under the agreement, with no agreement being for a period longer than one semester, or one-half year for a school on a year-round calendar.

Condition

During our review of twenty five (25) students selected for testing, we noted the following:

- One (1) student did not have a signed independent study master agreement.
- Six (6) students had their duration of study for a period longer than one semester.

Questioned Cost

This results in 1 disallowed ADA for the student without a valid written agreement resulting in a fiscal impact of \$7,811.

Cause

Lack of knowledge on part of the faculty regarding independent study compliance requirements.

Effect

Non-compliance with the Education Code may result in the District's independent study apportionment being disallowed by the State.

Recommendation

The District should comply with independent study requirements by ensuring that all student master agreements are signed by the student, parent or guardian and a responsible District official. In addition, the District should also familiarize its faculty with independent study requirements in conformity with State laws.

Views of Responsible Officials and Planned Corrective Action

The District will coordinate a series of Independent Study activities with the required school site staff which are as follows:

By January 28, 2014 the Principal/Director of Alternative Education will hold an independent study in service with all teachers who supervise independent study students at the District comprehensive school sites.

By January 28, 2014, the Principal/Director of Alternative Education will the Assistant Superintendent of Education Service will "spot" check the Independent Study program for its compliance. The following dates (Feb 28th, April 25th, and June 6th) will be used for our compliance checks.

**EI Monte Union High School District
State Awards Findings and Questioned Costs
Year ended June 30, 2013**

By July 31, 2014, the Principal/Director of Alternative Education will complete an evaluation of the independent study program within the District. The evaluation can be formative and the results used to make planning decisions, or the evaluation can be summative and used to indicate outcomes and successes.

Financial Statement Findings

None reported.

Federal Awards Findings

Finding # 12-01 – Controls over Subrecipient Monitoring (5000)

Federal Catalog Number:	84.287
Program Name:	Twenty First Community Learning Centers
Federal Agency:	U.S. Department of Education (DOE)
Pass- Through Agency:	California Department of Education (CDE)
Federal Award Number and Year:	Award Number 14535, July 1, 2011 to December 31, 2012

Criteria

a. Per OMB Circular A-133§____.400(d), *Pass-through entity responsibilities*, a pass-through entity shall perform the following for the federal awards it makes:

- (1) Monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved;
- (2) Follow-up to ensure corrective action on deficiencies noted during-award monitoring;
- (3) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action;

Condition

We noted one (1) subrecipient under this grant program. Upon review of the subrecipient file, we noted that the file did not contain single audit reports and lacked evidence of follow-up procedures to ensure corrective action on deficiencies noted during the award monitoring process.

Questioned Costs

N/A

Cause

Lack of enforcement of current policies and procedures over subrecipient monitoring.

Effect

Failure to properly monitor subrecipient activities and establish internal controls over subrecipient monitoring may result in the District being unable to determine whether the subrecipient used the funds appropriately in compliance with OMB Circular A-133.

Recommendation

We recommend the District to enforce current policies and procedures to ensure compliance with OMB Circular A-133 Subrecipient Monitoring requirements.

Current Status

Implemented.

**EI Monte Union High School District
Summary Schedule of Prior Year Audit Findings
Year ended June 30, 2013**

Finding # 12-02 – Controls over Procurement, Suspension and Debarment (5000)

Federal Catalog Number:	10.555
Program Name:	National School Lunch Program
Federal Agency:	U.S. Department of Agriculture (DOA)
Pass- Through Agency:	California Department of Education (CDE)
Federal Award Year:	July 1, 2011 to June 30, 2012

Criteria

Federal procurement standard 45CFR95 states that entities are prohibited from contracting with or making sub-awards under covered contract transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of \$100,000 and all non-procurement transactions. Contractors receiving individual awards for \$100,000 or more and all subrecipients must certify that the organization and its principals have not been subject to suspension and debarment proceedings.

Federal procurement standard 44 CFR 13 requires all procurement transactions to be conducted in a manner providing full and open competition consistent with federal regulations standards. In addition, a cost analysis is necessary when adequate price competition is lacking and for sole source procurements unless price reasonableness can be established on other bases mentioned in 44 CFR 13. A price analysis will be used in all other instances to determine the reasonableness of pricing. Per District policy, amounts of \$10,000-\$62,399, a written quotation from at least three viable vendors are required.

Condition

During our review of fifteen (15) vendors selected for testing, we noted the following:

- c. The District did not perform a search in the Excluded Parties List System (EPLS) to ensure that none of the selected vendors were on the list of debarred vendors.
- d. Two (2) records did not include required documentation showing a cost or price analysis, or written quotation from at least three viable vendors as required by District policy.

Questioned Cost

N/A

Cause

Lack of enforcement of current policies and procedures over procurement, suspension and debarment.

Effect

Failure to properly monitor procurement activities and the risk of doing business with a contractor on the federal debarment list can cause the District to be not in compliance with OMB Circular A-133.

Recommendation

We recommend the District to implement policies and procedures that provide guidance emphasizing the departments to take necessary steps to ensure compliance with procurement guidelines prescribed in the federal guidelines and district policy.

Current Status

Not implemented. See finding 13-01.

State Awards Findings

None reported

**The Honorable Board of Trustees
El Monte Union High School District
El Monte, California**

In planning and performing our audit of the basic financial statements of the El Monte Union High School District (the District) as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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. We did not identify any deficiencies in internal control that we consider to be significant deficiencies or material weaknesses.

During our audit, we became aware of certain matters that we believe represent opportunity for the District to further strengthen its internal controls and accounting practices. These matters do not represent significant deficiencies, material weakness in internal control, or material instances of noncompliance. Most of these items were also findings in the prior year. This letter does not affect our report dated December 4, 2013, on the financial statements of El Monte Union High School District.

The following summarizes our comments and suggestions regarding those matters.

1. El Monte High School

Observation

During our review of ASB's internal controls over cash disbursements, we noted the following:

- One (1) payment was made without appropriate supporting documentation.
- Two (2) payments made exceeded budgeted amounts.

Recommendation

All payments should be properly approved and accompanied by all the supporting documents at the time of approval. This will enhance controls over cash disbursements and prevent errors and irregularities.

2. Mountain View High School

Observation

During our review of ASB's internal controls over cash receipts, two (2) Revenue Potential forms selected for testing were not complete. Variances between anticipated profit and actual profits were not analyzed.

Recommendation:

The form being used to document the approval of the fundraisers should be revised to include a more comprehensive analysis of fundraiser's profitability. The form should include fields for potential revenue and expenses. This will allow students to arrive at a potential profit that can aide in their decision for approval or disapproval of the fundraiser. At the end of the fundraiser the estimated profit should be compared to the actual profit to determine the feasibility of conducting the fundraiser again. An explanation of any variance should be provided to further understand how the fundraiser could be more effective.

3. Rosemead High School

Observation

During our review of the ASB's procedures over cash receipts, we noted instances where cash received took up to twenty (20) days to be deposited in the bank. This is more than the stipulated policy of one week.

Recommendation

In order to safeguard cash, all receipts should be deposited timely. To avoid any potential misappropriation of cash, all cash receipts to ASB should be deposited to the bank within a week of cash collections. Frequency of deposits should be increased based on the volume of cash received.

4. South El Monte High School

Observation

During our review of ASB's internal controls over cash receipts, six (6) Revenue Potential forms selected for testing were not complete. Variances between anticipated profit and actual profits were not analyzed.

Recommendation:

The form being used to document the approval of the fundraisers should be revised to include a more comprehensive analysis of fundraiser's profitability. The form should include fields for potential revenue and expenses. This will allow students to arrive at a potential profit that can aide in their decision for approval or disapproval of the fundraiser. At the end of the fundraiser the estimated profit should be compared to the actual profit to determine the feasibility of conducting the fundraiser again. An explanation of any variance should be provided to further understand how the fundraiser could be more effective.

5. ASB Staff Training

Observation

Based on our review of the ASB records and interviews of staff at different school sites, the District needs to provide at least an annual training program to the clerks, advisors and coaches covering the following ASB areas:

- Allowable/unallowable expenses
- Purchasing and procurement procedures
- Maintenance of records (student accounts, receipts, etc.)
- Prompt submission of cash receipts to ASB Student Activities
- Usage of credit card (personal and/or assigned by High School)

Recommendation

An annual training program will minimize chances of errors and help the District comply with its fiduciary duties over ASB funds.

We thank the District staff and management for their considerable help in completing this year's audit and offer our appreciation to the Board of Trustees for the opportunity to serve the District.

This communication is intended solely for the information and use of management and members of the Board of Trustees of El Monte Union High School District and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.



Los Angeles, California
December 4, 2013

