

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2011



WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
OF LOS ANGELES COUNTY

SANTA CLARITA, CALIFORNIA

JUNE 30, 2011

The District was established in 1945 and is located in the Santa Clarita Valley in northeastern Los Angeles County, California. The District provides public education within an approximately 370 square mile area, serving the City of Santa Clarita and neighboring communities. The District provides public education for 7th grade through 12th grade. The District currently operates 6 junior high schools and 6 high schools. In addition, the District maintains one continuation high school, an independent study center, a college high school, two charter schools for students in special education settings, an adult education program and a regional occupational program.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Robert N. Jensen, Jr.	President	December 2013
Joe Messina	Clerk	December 2013
Steven M. Sturgeon	Assistant Clerk	December 2011
Paul Strickland	Member	December 2013
Gloria E. Mercado-Fortine	Member	December 2011

ADMINISTRATION

Robert Challinor
Superintendent

Victoria Engbrecht
Assistant Superintendent, Educational Services

Robert Gapper
Assistant Superintendent, Human Resources

Thomas Cole
Chief Operations Officer

Susan Hoerber
Chief Financial Officer

**WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2011**

FINANCIAL SECTION

Independent Auditors' Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements	
Government – Wide Financial Statements	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements	
Governmental Funds – Balance Sheet.....	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	15
Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balance	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	17
Fiduciary Funds – Statement of Net Assets.....	18
Fiduciary Funds – Statement of Changes in Net Assets.....	19
Notes to Financial Statements	20

REQUIRED SUPPLEMENTARY INFORMATION

General Fund – Budgetary Comparison Schedule	53
Schedule of Other Postemployment Benefit (OPEB) Funding Progress and Employer Contribution.....	54

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	55
Schedule of Average Daily Attendance (ADA).....	56
Schedule of Instructional Time.....	58
Schedule of Financial Trends and Analysis.....	59
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements.....	60
Schedule of Charter Schools	61
Combining Statements – Non-Major Governmental Funds	
Combining Balance Sheet	62
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance.....	63
Notes to Supplementary Information.....	64

**WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2011**

OTHER INDEPENDENT AUDITORS' REPORTS

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards* 66

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133..... 68

Independent Auditors' Report on State Compliance 70

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results 72

Financial Statement Findings..... 73

Federal Award Findings and Questioned Costs 74

State Award Findings and Questioned Costs..... 75

Summary Schedule of Prior Audit Findings 76

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Trustees
William S. Hart Union High School District
Santa Clarita, California

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the William S. Hart Union High School District, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the William S. Hart Union High School District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Santa Clarita Valley Facilities Foundation, represented as the Discretely Presented Component Unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Discretely Presented Component Unit, is based on the report of the other auditor.

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; and *Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2010 – 11*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the William S. Hart Union High School District, as of June 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2011 on our consideration of the William S. Hart Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

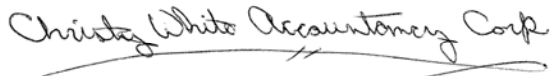
SAN DIEGO

RANCHO CUCAMONGA

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The required supplementary information, such as management's discussion and analysis on pages 3 through 11, the budgetary comparison information on page 53, and the schedule of funding progress on page 54 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the William S. Hart Union High School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and the Combining Statements – Non-Major Governmental Funds, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Christy White Accountancy Corp

Rancho Cucamonga, California
November 29, 2011

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

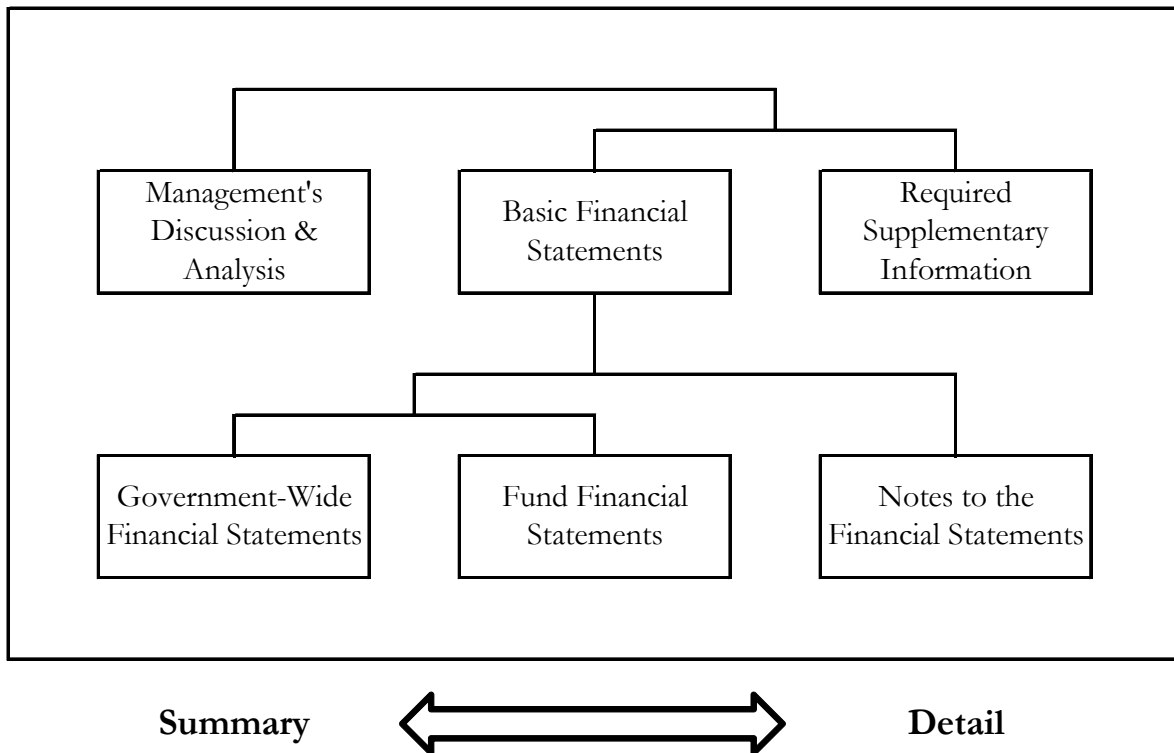
Our discussion and analysis of William S. Hart Union High School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2011. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ▶ Total net assets were \$314,112,875 at June 30, 2011. This was a decrease of \$739,941 over the prior year.
- ▶ Overall revenues were \$212,279,122, which was less than expenses of \$213,019,063.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



**WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011**

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

 - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets, the difference between assets and liabilities, are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Revenue limit funding and federal and state grants finance most of these activities.

**WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Assets

The District's combined net assets were \$314,112,875 at June 30, 2011, as reflected in Table A-1 below. Of this amount, \$24,555,702 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations.

**Table A-1
William S. Hart Union High School District's Net Assets**

	Governmental Activities		Total Percentage Change
	Restated		
	2010	2011	2010-11
Current assets	\$ 190,221,564	\$ 192,977,059	1%
Noncurrent assets	502,492,252	500,711,034	0%
Total assets	692,713,816	693,688,093	0%
Current liabilities	42,888,523	79,007,652	84%
Noncurrent liabilities	351,037,256	300,567,566	-14%
Total liabilities	393,925,779	379,575,218	-4%
Invested in capital assets, net of related debt	167,412,642	162,820,347	-3%
Restricted	137,779,446	126,736,826	-8%
Unrestricted	9,660,728	24,555,702	154%
Total net assets	\$ 314,852,816	\$ 314,112,875	0%

**WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Assets

As shown in Table A-2 below, the District's total revenues were \$212,279,122. The majority of the revenue comes from Revenue Limit and property taxes (78%). Other federal and state aid for specific programs accounted for another 14% of total revenues. Miscellaneous local sources accounted for the remaining 8%.

The total cost of all programs and services was \$213,019,063. The District's expenses are predominately related to educating and caring for students (58%). Pupil Services (including transportation and food) account for 11% of expenses. Administrative activities accounted for just 6% of total costs. Plant services, which represent the facilities maintenance and operations costs, account for 11% of all costs. The remaining expenses were for ancillary services, community services, and other outgo (14%).

**Table A-2
Changes in William S. Hart Union High School District's Net Assets**

	Governmental Activities		Total Percentage Change
	2010	2011	2010-11
Revenues:			
<i>Program revenues</i>			
Charges for services	\$ 130,724	\$ 220,650	69%
Operating grants and contributions	30,879,892	29,887,057	-3%
Capital grants and contributions	3,644,919	5,108	-100%
<i>General revenues</i>			
Property taxes	46,272,299	45,997,055	-1%
Federal and state aid not restricted for specific purposes	111,840,636	119,463,860	7%
Other revenues	12,470,220	16,705,392	34%
Total revenues	205,238,690	212,279,122	3%
Expenses:			
Instruction-related	121,796,485	124,144,579	2%
Student support services	22,437,987	22,890,455	2%
Maintenance and operations	23,950,318	23,275,056	-3%
Administration	12,953,018	13,299,528	3%
Other expenses	25,557,849	29,409,445	15%
Total expenses	206,695,657	213,019,063	3%
Change in net assets	\$ (1,456,967)	\$ (739,941)	-49%

**WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Assets (continued)

As reported in the Statement of Activities on page 12, the cost of all our governmental activities this year was \$213,019,063 (refer to Table A-3). The amount that our taxpayers ultimately financed for these activities through taxes was only \$45,997,055 because the cost was paid by those who benefited from the programs (\$220,650), by other governments and organizations who subsidized certain programs with grants and contributions (\$149,356,025) or through other local sources (\$16,705,392).

**Table A-3
Net Costs of William S. Hart Union High School District's
Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instructional services	\$ 124,144,579	\$ 101,130,720
Pupil support services	22,890,455	16,858,467
Maintenance and operations	23,275,056	23,111,010
Administration	13,299,528	13,097,915
Other expenses	29,409,445	28,708,136
Total expenses	\$ 213,019,063	\$ 182,906,248

**WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$172,494,362, which is greater than last year's ending fund balance of \$167,120,220. The District's General Fund had \$10,886,815 more in operating revenues than expenditures in 2010-2011.

CURRENT YEAR BUDGET 2010-11

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a monthly basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

Budget adjustments to revenues and expenditures for the year include:

Revenues:

- State Aid – Increased revenue limit by \$7.4 million to recognize restoration of the anticipated per ADA reduction.
- Federal Sources – Increased by \$5.6 million to recognize additional allocations in American Recovery & Reinvestment Act and Education Jobs Funding.
- Other State Sources – Increased by \$1.3 million to recognize Mandated Cost Revenue and additional Deferred Maintenance Revenue.

Expenditures:

- Employee Benefits – Reduced to reflect anticipated savings
- Services/Other Operating – Increased to reflect County Mental Health obligation

**WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2010-11 the District had invested \$10,392,816 in new capital assets.

**Table A-4
William S. Hart Union High School District's Capital Assets**

	Governmental Activities		Total
	2010	2011	Percentage Change 2010-11
Land	\$ 104,913,793	\$ 104,913,793	0%
Site improvements	31,311,832	29,801,648	-5%
Buildings	327,672,261	319,781,614	-2%
Furniture and equipment	9,528,265	7,916,420	-17%
Construction in progress	29,066,101	38,297,559	32%
Total capital assets	\$ 502,492,252	\$ 500,711,034	0%

**WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011**

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end, the District had \$359,129,697 in long-term debt, an increase of 1.3% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

**Table A-5
William S. Hart Union High School District's Long-Term Debt**

	Governmental Activities		Total Percentage Change
	Restated 2010	2011	2010-11
General obligation bonds	\$ 228,666,717	\$ 229,488,803	0%
Premiums/(discounts)	4,460,477	4,138,463	-7%
Community facilities districts	58,710,000	56,785,000	-3%
Premiums/(discounts)	(347,926)	(406,979)	17%
Certificates of participation	6,000,000	6,000,000	0%
Bond anticipation notes	41,525,000	41,525,000	0%
Capital leases	177,893	-	-100%
OPSC portable lease	540,600	360,400	-33%
Compensated absences	1,154,547	1,135,264	-2%
PARS retirement	2,968,170	4,112,039	39%
Net OPEB obligation	10,741,862	15,991,707	49%
Total long-term debt	\$ 354,597,340	\$ 359,129,697	1%

**WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

- At the state level, the budget situation continues to reflect challenging economic times. The 2011 State Budget was balanced on optimistic revenue projections and contains "trigger" language that would reduce school funding mid-year, should the state fail to meet those projections. In addition, one-time sources of federal funding from the American Recovery and Reinvestment Act and the Education Jobs Act are ending and to continue program services funded by these sources will require either new federal funding or a reallocation of district funds. State categorical program flexibility continues for the 2010-11 and 2011-12 fiscal years with no anticipated changes. School districts continue to be authorized to use funding from 42 Tier III categorical programs for any purpose.
- Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2011-12 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for money it receives. If you have any questions about this report, or need additional financial information, contact Sue Hoerber, Chief Financial Officer, William S. Hart Union High School District, 21515 Centre Pointe Parkway, Santa Clarita, CA 91350.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Primary Government</u>	<u>June 30, 2010</u>
	<u>Governmental</u>	<u>Discretely</u>
	<u>Activities</u>	<u>Presented</u>
		<u>Component Unit</u>
ASSETS		
Cash and cash equivalents	\$ 150,045,425	\$ 1,869,721
Accounts receivable	40,851,899	43,623
Inventory	233,756	-
Prepaid expenses	1,845,979	-
Total current assets	192,977,059	1,913,344
Capital assets, non-depreciable	143,211,352	21,915,896
Capital assets, depreciable, net	357,499,682	795
Total non-current assets	500,711,034	21,916,691
Total Assets	\$ 693,688,093	\$ 23,830,035
LIABILITIES		
Deficit cash	\$ 273,864	\$ -
Accrued liabilities	15,030,278	575,908
Current loans	7,087,900	-
Deferred revenue	659,270	-
Long-term liabilities, current portion	55,956,340	-
Total current liabilities	79,007,652	575,908
Long-term liabilities, non-current portion	300,567,566	-
Total Liabilities	379,575,218	575,908
NET ASSETS		
Invested in capital assets, net of related debt	162,820,347	21,916,691
Restricted for		
Capital projects	101,560,797	1,337,436
Debt service	21,935,020	-
Educational programs	3,241,009	-
Unrestricted	24,555,702	-
Total Net Assets	314,112,875	23,254,127
Total Liabilities and Net Assets	\$ 693,688,093	\$ 23,830,035

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

**WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Function/Programs	Expenses	Program Revenues			Net (Expenses)	For The Year Ended June 30, 2010
		Charges for Services	Operating Grants and Contributions	Capital Grants	Revenues and Changes in Net Assets	
					Governmental Activities	Discretely Presented Component Unit
GOVERNMENTAL ACTIVITIES						
Instruction	\$ 103,523,595	\$ 152,892	\$ 17,001,282	\$ 5,108	\$ (86,364,313)	
Instruction-related services						
Instructional supervision and administration	4,264,150	9,291	1,531,028	-	(2,723,831)	
Instructional library, media, and technology	2,105,481	-	240	-	(2,105,241)	
School site administration	14,251,353	67	4,313,951	-	(9,937,335)	
Pupil services						
Home-to-school transportation	2,824,690	19,528	1,612,015	-	(1,193,147)	
Food services	3,384,894	-	1,182,738	-	(2,202,156)	
All other pupil services	16,680,871	37,186	3,180,521	-	(13,463,164)	
General administration						
Centralized data processing	1,988,181	-	23,083	-	(1,965,098)	
All other general administration	11,311,347	-	178,530	-	(11,132,817)	
Plant services	23,275,056	1,338	162,708	-	(23,111,010)	
Ancillary services	1,290,974	48	6,422	-	(1,284,504)	
Community services	289,479	-	-	-	(289,479)	
Interest on long-term debt	14,780,711	-	-	-	(14,780,711)	
Transfer to other agencies	874,247	300	694,539	-	(179,408)	
Depreciation (unallocated)	12,174,034	-	-	-	(12,174,034)	
Total Governmental Activities	\$ 213,019,063	\$ 220,650	\$ 29,887,057	\$ 5,108	(182,906,248)	
DISCRETELY PRESENTED COMPONENT UNIT						
Santa Clarita Valley Facilities Foundation	\$ 551,226	\$ -	\$ -	\$ -		\$ (551,226)
Total	\$ 551,226	\$ -	\$ -	\$ -		(551,226)
General revenues						
Taxes and subventions						
					29,229,996	-
					16,124,275	-
					642,784	-
					119,463,860	-
					1,844,339	20,723
					209,934	-
					14,651,119	-
					182,166,307	20,723
CHANGE IN NET ASSETS						
					(739,941)	(530,503)
					298,788,037	23,784,630
					16,064,779	-
					314,852,816	23,784,630
					\$ 314,112,875	\$ 23,254,127

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

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 18,609,512	\$ 80,429,191	\$ 51,006,722	\$ 150,045,425
Accounts receivable	39,985,081	252,074	614,744	40,851,899
Stores inventory	173,387	-	60,369	233,756
Prepaid expenditures	229	1,845,750	-	1,845,979
Total Assets	\$ 58,768,209	\$ 82,527,015	\$ 51,681,835	\$ 192,977,059
LIABILITIES				
Deficit cash	\$ -	\$ -	\$ 273,864	\$ 273,864
Accrued liabilities	9,929,734	1,164,238	1,367,691	12,461,663
Current loans	7,087,900	-	-	7,087,900
Deferred revenue	488,933	-	170,337	659,270
Total Liabilities	17,506,567	1,164,238	1,811,892	20,482,697
FUND BALANCES				
Non-spendable	195,616	1,845,750	60,369	2,101,735
Spendable				
Restricted				
Educational programs	2,547,326	-	693,683	3,241,009
Capital projects	-	79,517,027	22,043,770	101,560,797
Debt service	-	-	21,935,020	21,935,020
Committed	-	-	510,693	510,693
Assigned	-	-	4,626,408	4,626,408
Unassigned	38,518,700	-	-	38,518,700
Total Fund Balances	41,261,642	81,362,777	49,869,943	172,494,362
Total Liabilities and Fund Balances	\$ 58,768,209	\$ 82,527,015	\$ 51,681,835	\$ 192,977,059

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

**WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET ASSETS
JUNE 30, 2011**

Total Fund Balance - Governmental Funds \$ 172,494,362

Amounts reported for assets and liabilities for governmental activities in the statement of net assets are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 596,787,305	
Accumulated depreciation	(96,076,271)	500,711,034

Unamortized costs:

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the governmental-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in net long-term debt on the statement of net assets are:

2,605,791

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unamortized interest owing at the end of the period was:

(2,568,615)

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds payable	(229,488,803)	
Discount/(Premium) on issuance	(4,138,463)	
Community facilities districts	(56,785,000)	
Discount/(Premium) on issuance	406,979	
Certificates of participation payable	(6,000,000)	
Bond anticipation notes	(41,525,000)	
OPSC portable lease	(360,400)	
Compensated absences	(1,135,264)	
PARS retirement	(4,112,039)	
Net OPEB obligation	(15,991,707)	(359,129,697)

Total Net Assets - Governmental Activities \$ 314,112,875

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

**WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Revenue limit sources				
State aid	\$ 107,630,637	\$ -	\$ 690,704	\$ 108,321,341
Local sources	29,229,996	-	-	29,229,996
Transfers	(3,432,525)	-	-	(3,432,525)
Federal sources	12,083,310	-	1,214,343	13,297,653
Other state sources	33,380,257	-	390,367	33,770,624
Other local sources	4,518,829	1,142,630	25,430,574	31,092,033
Total Revenues	183,410,504	1,142,630	27,725,988	212,279,122
EXPENDITURES				
Current				
Instruction	98,000,858	-	2,176,460	100,177,318
Instruction-related services				
Instructional supervision and administratio	3,924,803	-	225,192	4,149,995
Instructional library, media, and technology	2,036,467	-	54	2,036,521
School site administration	13,502,829	-	303,965	13,806,794
Pupil services				
Home-to-school transportation	2,797,136	-	-	2,797,136
Food services	-	-	3,384,894	3,384,894
All other pupil services	16,104,259	-	39,316	16,143,575
General administration				
Centralized data processing	1,952,324	-	-	1,952,324
All other general administration	8,752,033	-	1,251,765	10,003,798
Plant services	19,497,878	74,033	230,800	19,802,711
Facilities acquisition and maintenance	404,975	8,771,842	4,245,163	13,421,980
Ancillary services	1,235,649	-	6,282	1,241,931
Community services	289,479	-	-	289,479
Transfers to other agencies	492,234	-	382,013	874,247
Debt service				
Principal	177,893	-	7,965,200	8,143,093
Interest and other	218,534	-	8,460,650	8,679,184
Total Expenditures	169,387,351	8,845,875	28,671,754	206,904,980
Excess (Deficiency) of Revenues				
Over Expenditures	14,023,153	(7,703,245)	(945,766)	5,374,142
Other Financing Sources (Uses)				
Transfers in	-	-	4,075,488	4,075,488
Transfers out	(3,136,338)	(200,000)	(739,150)	(4,075,488)
Net Financing Sources (Uses)	(3,136,338)	(200,000)	3,336,338	-
NET CHANGE IN FUND BALANCE	10,886,815	(7,903,245)	2,390,572	5,374,142
Fund Balance - Beginning	30,374,827	89,266,022	47,479,371	167,120,220
Fund Balance - Ending	\$ 41,261,642	\$ 81,362,777	\$ 49,869,943	\$ 172,494,362

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

**WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Net Change in Fund Balances - Governmental Funds \$ 5,374,142

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

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

Expenditures for capital outlay: \$	10,392,816	
Depreciation expense:	(12,174,034)	(1,781,218)

Debt service:

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

8,143,093

Debt issue costs:

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The debt issue costs amortized for the period are:

(147,540)

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds decreased by \$347,032, and second, \$6,682,086 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

(6,335,054)

Compensated absences:

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) 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). This year, the PARS Retirement Plan earned was more than amounts used by \$1,143,869. Vacation used was more than the amounts earned by \$19,283.

(1,124,586)

Postemployment benefits other than pensions (OPEB):

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

(5,249,845)

Amortization of debt issue premium or discount:

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

381,067

Change in net assets of Governmental Activities \$ (739,941)

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

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2011

	Foundation Private-Purpose Trust Fund	ASB Agency Funds
ASSETS		
Cash and cash equivalents	\$ 318,345	\$ 897,359
Accounts receivable	975	-
Total Assets	\$ 319,320	\$ 897,359
LIABILITIES		
Accrued liabilities	\$ 3,250	\$ -
Due to other agencies/student groups	-	897,359
Total Liabilities	\$ 3,250	\$ 897,359
NET ASSETS		
Unrestricted	316,070	
Total Net Assets	316,070	
Total Liabilities and Fund Balance	\$ 319,320	

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

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2011

	Foundation Private-Purpose Trust Fund
ADDITIONS	
Investment earnings	\$ 3,763
Other	120,000
Total Additions	123,763
DELETIONS	
Other trust activities	85,500
Total Deletions	85,500
NET CHANGE IN FUND BALANCE	38,263
Net Assets - Beginning	277,807
Net Assets - Ending	\$ 316,070

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

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The District was established in 1945 and is located in the Santa Clarita Valley in northeastern Los Angeles County, California. The District provides public education within an approximately 370 square mile area, serving the City of Santa Clarita and neighboring communities. The District provides public education for 7th grade through 12th grade. The District currently operates 6 junior high schools and 6 high schools. In addition, the District maintains one continuation high school, an independent study center, a college high school, two charter schools for students in special education settings, an adult education program and a regional occupational program.

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

B. Component Unit

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, and thus are included in the financial statements of the District.

- 1. Blended Component Units** - The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Component Unit (continued)

Blended Component Units (continued)

The financial activity of the Community Facilities Districts (CFDs), the Joint School Financing Authorities (JFAs), the Facilities Financing Authority, and the Financing Corporation (COP 2004), listed below, is presented in the financial statements as the Capital Projects Fund for Blended Component Units and the Debt Service Fund for Blended Component Units. Parcel taxes are imposed on the individual properties within the CFD and the JFA and are collected by the Los Angeles County Auditor-Controller's Office. That money is transferred to the Trustee's account to pay the bond holders of the CFD and JFA debt.

- Community Facilities District #2002-1
- Community Facilities District #2004-1
- Community Facilities District #2005-1
- Joint School Financing Authority 2004
- Joint School Financing Authority 2005
- Saugus/Hart Schools Facilities Financing Authority
- William S. Hart Union High School District Financing Corporation

2. **Discretely Presented Component Unit** - The Santa Clarita Valley Facilities Foundation (Foundation) is a legally separate, tax-exempt component unit of the District. The Foundation was founded to provide financial assistance to the District in locating, acquiring, and developing new school sites. The seven-member Board of Directors serves on a volunteer basis, without pay or compensation for services. In addition to five community leaders appointed to the board, two additional seats have been created as a means of expanding independent oversight: one seat reserved for the District Board President and a second seat held for the District superintendent or designee. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can be used only by, or for the benefit of, the District, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements.

C. Other Related Entities

Joint Powers Authority (JPA). The District is associated with two JPAs. These organizations do not meet the criteria for inclusion as a component unit of the District. Additional information is presented in Note 14 to the financial statements. These organizations are:

- Self-Insurance Risk Management Authority (SIRMA)
- Southern California Regional Liability Excess Fund (ReLiEF)

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. Basis of Presentation

Government-Wide Statements. The statement of net assets and the statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for 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 of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District.

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental* and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. Basis of Presentation (*continued*)

Fiduciary funds are used to account for assets held by the LEA in a trustee or agency capacity for others that cannot be used to support the LEA's own programs.

Major Governmental Funds

General Fund. The general fund is the main operating fund of the LEA. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of an LEA's activities are reported in the general fund unless there is a compelling reason to account for an activity in another fund. An LEA may have only one general fund.

Building Fund. This 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. Other authorized revenues to the Building Fund (Fund 21) are proceeds from the sale or lease-with-option-to-purchase of real property (Education Code Section 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (Education Code Section 41003).

Non-Major Governmental Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

Charter Schools Special Revenue Fund. This fund may be used by authorizing LEAs to account separately for the activities of LEA-operated charter schools that would otherwise be reported in the authorizing LEA's general fund. If an LEA uses this fund for any of a charter school's operating activities, it should use this fund for all of the charter school's operating activities.

Adult Education Fund. This fund is used to account separately for federal, state, and local revenues for adult education programs. Money in this fund shall be expended for adult education purposes only. Moneys received for programs other than adult education shall not be expended for adult education (Education Code Sections 52616[b] and 52501.5[a]).

Cafeteria Special Revenue Fund. This fund is used to account separately for federal, state, and local resources to operate the food service program (Education Code Sections 38090–38093). The Cafeteria Special Revenue Fund (Fund 13) shall be used only for those expenditures authorized by the governing board as necessary for the operation of the LEA's food service program (Education Code Sections 38091 and 38100).

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. Basis of Presentation (*continued*)

Deferred Maintenance Fund. This fund is used to account separately for state apportionments and the LEA's contributions for deferred maintenance purposes (Education Code Sections 17582–17587). In addition, whenever the state funds provided pursuant to Education Code Sections 17584 and 17585 (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the district (Education Code Sections 17582 and 17583).

Capital Project Funds. 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. This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (Education Code Sections 17620–17626). The authority for these levies may be county/city ordinances (Government Code Sections 65970–65981) or private agreements between the LEA and the developer. Interest earned in the Capital Facilities Fund (Fund 25) is restricted to that fund (Government Code Section 66006).

County School Facilities Fund. This fund is established pursuant to Education Code Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (Education Code Section 17070 et seq.).

Special Reserve Fund for Capital Outlay Projects. This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (Education Code Section 42840).

Capital Project Fund for Blended Component Units. This fund is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the LEA under generally accepted accounting principles (GAAP). The Mello-Roos Community Facilities Act of 1982 (Government Code Section 53311 et seq.) allows any county, city, special district, school district, or joint powers authority to establish, upon approval of two-thirds of the voters in the district, a "Community Facilities District" (CFD) for the purpose of selling tax-exempt bonds to finance public improvements and services.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. Basis of Presentation (*continued*)

Debt Service Funds. 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. This fund is used for the repayment of bonds issued for an LEA (Education Code Sections 15125–15262). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund (Fund 21) of the LEA. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund (Fund 51) of the LEA. The county auditor maintains control over the LEA's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

Debt Service Fund for Blended Component Units. This fund 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 LEA under generally accepted accounting principles (GAAP). The Mello-Roos Community Facilities Act of 1982 (Government Code Section 53311 et seq.) allows any county, city, special district, school district, or joint powers authority to establish, upon approval of two-thirds of the voters in the district, a "Community Facilities District" (CFD) for the purpose of selling tax-exempt bonds to finance public improvements and services.

Fiduciary Funds

Trust and Agency Funds. Trust and Agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the LEA's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Foundation Private-Purpose Trust Fund. This fund is used to account separately for gifts or bequests per Education Code Section 41031 that benefit individuals, private organizations, or other governments and under which neither principal nor income may be used for purposes that support the LEA's own programs.

Student Body Fund. The Student Body Fund is an agency fund and, therefore, consists only of accounts such as Cash and balancing liability accounts, such as Due to Student Groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (Education Code Sections 48930–48938).

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Basis of Accounting – Measurement Focus

Government-Wide and Fiduciary Financial Statements

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

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

All governmental activities of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after year-end. All other revenue items are considered to be measurable and available only when the District receives cash. Revenue limits, property taxes, and grant awards are recorded the same as what is described for Government-Wide Statements. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement and postemployment healthcare benefits and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Basis of Accounting – Measurement Focus (continued)

Revenues – Exchange and Non-Exchange Transactions

Revenue limits and other state apportionments are government mandated non-exchange transactions and are recognized when all eligibility requirements have been met. When the annual calculation of the revenue limit (Form K-12 Annual) is made, and the District's actual tax receipts as reported by the county auditor is subtracted, the result determines the annual state aid to which the LEA is entitled. If the difference between the calculated annual state aid and the state aid received on the second principal apportionment is positive a receivable is recorded, and if it is negative a payable is recorded. The District recognizes property tax revenues actually received as reported on CDE's Principal Apportionment Tax Software, used by county offices of education and county auditors to report school district and county taxes. The District makes no accrual for property taxes receivable as of June 30.

The District receives grant awards that are "reimbursement type" or "expenditure driven." The eligibility requirements of these awards have not been met until the LEA has made the required expenditures of the grant within the time period specified by the grantor. Revenue is recognized in the period in which the qualifying expenditures are made. Cash received but unspent at the end of the fiscal period is booked as a liability, and revenue is reduced to the amount that has been expended.

The District also receives funds for which they have fulfilled specific eligibility requirements or have provided a particular service. Once the LEAs have provided these services, they have earned the revenue provided. Any unspent money may be carried to the next year to be expended for the same restricted purposes. Revenue is recognized in the period that the service is provided, and any carryover becomes a part of the LEA's ending fund balance.

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 that have not met eligibility requirements 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. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, and Net Assets

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the county treasurer for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2011, based on market process. The individual funds' portions of the pool's fair value are presented as "Cash in County." Earnings on the pooled funds are apportioned and paid or credited to the funds quarterly based on the average daily balance of each participating fund.

Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Cash in County is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

Inventories and Prepaid Items

Inventories are valued using the weighted average method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. 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. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized. Depreciation of capital assets is computed and recorded by the straight-line method over the following estimated useful life:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings & Improvements	25 – 50 years
Land Improvements	20 – 30 years
Furniture & Equipment	5 – 15 years

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, and Net Assets (continued)

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

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

Deferred Issuance Costs, Premiums, and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

F. Assets, Liabilities, and Net Assets (*continued*)

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net assets as reported in the government-wide, proprietary fund, and fiduciary trust fund statements.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the general fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the general fund, that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, and Net Assets (continued)

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The District has related debt outstanding as of June 30, 2011. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The district-wide financial statements report \$126,736,826 of restricted net assets.

G. 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 columns of the statement of activities.

H. 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.

I. Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have been included as revenue and expenditures as required under generally accepted accounting principles.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, *continued*
 JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

J. Changes in Accounting Principle

For the fiscal year ended June 30, 2011, the District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes 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.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Summary of Deposits and Investments

	Governmental Activities	Fiduciary Funds	Total
Deposits in financial institutions	\$ 809,339	\$ 897,359	\$ 1,706,698
Cash in County	129,202,796	318,345	129,521,141
Cash with Fiscal Agent	20,033,290	-	20,033,290
Total	\$ 150,045,425	\$ 1,215,704	\$ 151,261,129

B. 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; collateralized mortgage obligations; and the Los Angeles County Investment Pool.

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

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies examples of the investment types permitted in the investment policy:

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool and purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

D. Interest Rate Risk (continued)

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type:	Fair Value	Maturity
County Pool	\$ 129,575,962	600 days
Money Market Mutual Funds	\$ 19,733,071	1 day

E. 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 investments in the county pool and money market mutual funds are not required to be rated.

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does 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 agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2011, the District's bank balance of \$315,064 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.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 3 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2011, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Private-Purpose Trust Fund
Federal Government					
Categorical aid	\$ 1,569,979	\$ -	\$ 58,603	\$ 1,628,582	\$ -
State Government					
Apportionment	30,809,667	-	-	30,809,667	-
Categorical aid	5,131,148	-	-	5,131,148	-
Lottery	1,579,412	-	8,059	1,587,471	-
Local Government					
Interest	84,422	248,067	58,234	390,723	975
Other Local Sources	810,453	4,007	489,848	1,304,308	-
Total	\$ 39,985,081	\$ 252,074	\$ 614,744	\$ 40,851,899	\$ 975

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance				Balance
	July 01, 2010	Additions	Deductions		June 30, 2011
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 104,913,793	\$ -	\$ -	\$ -	\$ 104,913,793
Construction in progress	29,066,101	9,422,464	191,006		38,297,559
<hr/>					
Total Capital Assets not Being					
Depreciated	133,979,894	9,422,464	191,006		143,211,352
<hr/>					
Capital assets being depreciated					
Land improvements	44,725,323	705,883	-		45,431,206
Buildings & improvements	387,396,338	116,538	-		387,512,876
Furniture & equipment	20,364,674	338,937	71,740		20,631,871
<hr/>					
Total Capital Assets Being					
Depreciated	452,486,335	1,161,358	71,740		453,575,953
<hr/>					
Less Accumulated Depreciation					
Land improvements	13,413,491	2,216,067	-		15,629,558
Buildings & improvements	59,724,077	8,007,185	-		67,731,262
Furniture & equipment	10,836,409	1,950,782	71,740		12,715,451
<hr/>					
Total Accumulated Depreciation	83,973,977	12,174,034	71,740		96,076,271
<hr/>					
Governmental Activities					
Capital Assets, net	\$ 502,492,252	\$ (1,590,212)	\$ 191,006	\$ -	\$ 500,711,034

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 5 – INTERFUND TRANSACTIONS

A. Operating Transfers

	Interfund Transfers Out	Interfund Transfers In	
		Non-Major Governmental Funds	Total
General Fund		\$ 3,136,338	\$ 3,136,338
Building Fund		200,000	200,000
Non-Major Governmental Funds		739,150	739,150
Total Interfund Transfers		\$ 4,075,488	\$ 4,075,488

The General Fund transferred to the Non-Major Charter School Fund for general operations.		\$	1,183,831
The General Fund transferred to the Non-Major Adult Education Fund for general operations.			286,794
The General Fund transferred to the Non-Major Deferred Maintenance Fund for major repair.			340,000
The General Fund transferred to the Non-Major Capital Facilities Fund for return of excess administrative costs.			1,325,713
The Building Fund transferred to the Non-Major County School Facilities Fund for Sierra Vista Junior High modernization project.			200,000
The Non-Major Debt Service Fund for Blended Component Units transferred to the Non-Major Capital Projects Fund for Blended Component Units for reclassification of debt service funds to project funds.			739,150
Total		\$	4,075,488

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2011, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities	Private-Purpose Trust Fund
Payroll	\$ 6,179,257	\$ -	\$ 104,895	\$ -	\$ 6,284,152	\$ -
Construction	-	1,164,238	153,007	-	1,317,245	-
Vendors payable	4,217,422	-	1,109,789	-	5,327,211	3,250
Unmatured interest on long-term debt	-	-	-	2,568,615	2,568,615	-
Total	\$ 10,396,679	\$ 1,164,238	\$ 1,367,691	\$ 2,568,615	15,497,223	\$ 3,250

NOTE 7 – TAX REVENUE ANTICIPATION NOTES (TRAN)

On April 13, 2010, the District issued \$9,230,000 Tax and Revenue Anticipation Notes bearing interest at 2.50 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on December 31, 2010. By September 2010, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes.

On July 1, 2010, the District issued \$14,910,000 Tax and Revenue Anticipation Notes bearing interest at 2.00 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on March 1, 2011. By February 2011, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes.

On April 14, 2011, the District issued \$7,035,000 Tax Revenue Anticipation Notes bearing interest at 2.50 percent. The notes were issued to supplement cash flows. The notes mature on January 31, 2012 with repayment scheduled to begin in July 2011 and continuing through September 2011. The balance due on the notes is shown as Current Loans on the financial statements.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 8 – DEFERRED REVENUE

The District periodically will receive grant money prior to making expenditures for that grant. The source of that grant money is listed below by fund. The deferred revenue totals at June 30, 2011, consist of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal sources	\$ 488,933	\$ 8,909	\$ 497,842
Local sources	-	161,428	161,428
Total	\$ 488,933	\$ 170,337	\$ 659,270

NOTE 9 – LONG-TERM DEBT

A. Long-Term Debt Summary

	Restated Balance July 01, 2010	Accretion/ Additions	Deductions	Balance June 30, 2011	Balance Due In One Year
Governmental Activities					
General obligation (GO) bonds	\$ 228,666,717	\$ 6,682,086	\$ 5,860,000	\$ 229,488,803	\$ 10,942,619
Premium on issuance	5,058,851	-	351,933	4,706,918	-
Discount on issuance	(598,374)	-	(29,919)	(568,455)	-
Costs of issuance	(1,803,876)	-	(93,350)	(1,710,526)	-
Community facilities districts					
Lease revenue bonds	58,710,000	-	1,925,000	56,785,000	2,095,000
Premium on issuance	575,039	-	95,840	479,199	-
Discount on issuance	(922,965)	-	(36,787)	(886,178)	-
Costs of issuance	(949,455)	-	(54,190)	(895,265)	-
Certificates of participation (COPs)	6,000,000	-	-	6,000,000	-
Bond anticipation notes	41,525,000	-	-	41,525,000	41,525,000
Capital leases	177,893	-	177,893	-	-
OPSC Portable Lease Purchase	540,600	-	180,200	360,400	180,200
Compensated absences	1,154,547	-	19,283	1,135,264	-
PARS supplementary retirement plan	2,968,170	2,357,390	1,213,521	4,112,039	1,213,521
Net OPEB obligation	10,741,862	5,249,845	-	15,991,707	-
Total	\$ 351,844,009	\$ 14,289,321	\$ 9,609,424	\$ 356,523,906	\$ 55,956,340

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 9 – LONG-TERM DEBT (continued)

B. Bonded Debt

Issue Date	Maturity Date	Interest Rate	Original Issue	Restated Bonds			Bonds Outstanding June 30, 2011
				Outstanding June 30, 2010	Accretion	Redeemed	
May 8, 2003	September 1, 2027	2.00% - 5.00%	\$70,000,000	\$ 58,020,000	\$ -	\$ 1,020,000	\$ 57,000,000
June 10, 2005	September 1, 2011	3.00% - 5.00%	21,800,000	10,035,000	-	4,840,000	5,195,000
June 10, 2005	September 1, 2029	3.86% - 4.86%	661,962,106	82,756,661	3,763,620	-	86,520,281
May 29, 2009	August 1, 2025	4.00% - 5.50%	32,470,000	32,470,000	-	-	32,470,000
May 29, 2009	August 1, 2033	6.27% - 6.47%	42,704,766	45,385,056	2,918,466	-	48,303,522
				\$ 228,666,717	\$ 6,682,086	\$ 5,860,000	\$ 229,488,803

Election 2001

In an election held November 6, 2001, the voters authorized the District to issue and sell \$158,000,000 of principal amount of general obligation bonds. These bonds were issued for the purpose of financing the addition and modernization of school facilities. There were two issuances under this election:

- Series A, which was issued on May 8, 2003 for \$70,000,000 with interest rates ranging from 2.00% to 5.00%. The original issuance consisted of \$52,655,000 in current interest serial bonds and \$17,345,000 in current interest term bonds. The principal balance outstanding on June 30, 2011 amounted to \$57,000,000.
- Series B, which was issued on June 10, 2005 for \$87,996,106 with interest rates ranging from 3.00% to 5.00%. The original issuance consisted of \$21,800,000 in current interest serial bonds and \$66,196,106 in capital appreciation serial bonds. The principal balance outstanding on June 30, 2011 amounted to \$91,715,281.

Election 2008

In an election held November 4, 2008, the voters authorized the District to issue and sell \$300,000,000 of principal amount of general obligation bonds. These bonds were issued for the purpose of financing the addition and modernization of school facilities. There is one issuance under this election:

- Series A, which was issued on May 29, 2009 for \$75,174,766 with interest rates ranging from 4.00% to 6.47%. The original issuance consisted of \$32,470,000 in current interest serial bonds, \$28,022,956 in capital appreciation term bond, and \$14,681,810 in capital appreciation serial bonds. The principal balance outstanding on June 30, 2011 amounted to \$80,773,522.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 9 – LONG-TERM DEBT (continued)

C. Debt Service Requirements to Maturity – Bonds

The bonds mature through 2034 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 6,370,000	\$ 4,518,875	\$ 10,888,875
2013	5,562,619	5,702,156	11,264,775
2014	5,672,143	5,882,532	11,554,675
2015	5,826,639	6,022,236	11,848,875
2016	5,962,096	6,192,879	12,154,975
2017 - 2021	40,173,389	32,588,855	72,762,244
2022 - 2026	63,408,428	31,135,553	94,543,981
2027 - 2031	48,767,291	81,300,775	130,068,066
2032 - 2034	21,823,267	72,036,733	93,860,000
Accretion	25,922,931	(25,922,931)	-
	<u>\$ 229,488,803</u>	<u>\$ 219,457,663</u>	<u>\$ 448,946,466</u>

D. Community Facilities Districts (CFD) / Joint School Financing Authorities (JFA)

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2010</u>	<u>Issuance</u>	<u>Redeemed</u>	<u>Outstanding June 30, 2011</u>
May 8, 2003	September 1, 2033	2.50% - 6.00%	\$ 17,435,000	\$ 17,170,000	\$ -	\$ 125,000	\$ 17,045,000
January 14, 2005	September 1, 2035	2.40% - 5.50%	5,690,000	5,630,000	-	35,000	5,595,000
January 12, 2006	September 1, 2036	3.65% - 5.65%	18,605,000	18,460,000	-	90,000	18,370,000
May 20, 2004	September 1, 2034	3.00% - 5.75%	8,735,000	7,835,000	-	200,000	7,635,000
March 17, 2005	September 1, 2018	4.00% - 5.00%	15,020,000	9,615,000	-	1,475,000	8,140,000
				<u>\$ 58,710,000</u>	<u>\$ -</u>	<u>\$ 1,925,000</u>	<u>\$ 56,785,000</u>

- Community Facilities District 2002-1 issued Series 2003 Special Tax Bonds on May 8, 2003 for \$17,435,000 with interest rates ranging from 2.50% to 6.00%. The bonds were issued to pay the costs of acquisition and construction of certain school facilities and improvements. The principal balance outstanding at June 30, 2011 was \$17,045,000.
- Community Facilities District 2004-1 issued Series 2005 Special Tax Bonds on January 14, 2005 for \$5,690,000 with interest rates ranging from 2.40% to 5.50%. The bonds were issued to pay the costs of acquisition and construction of certain school facilities and improvements. The principal balance outstanding at June 30, 2011 was \$5,595,000.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 9 – LONG-TERM DEBT (continued)

D. Community Facilities Districts (CFD) / Joint School Financing Authorities (JFA) (continued)

- Community Facilities District 2005-1 issued Series 2006 Special Tax Bonds on January 12, 2006 for \$18,605,000 with interest rates ranging from 3.65% to 5.30%. The bonds were issued to pay the costs of acquisition and construction of certain school facilities and improvements. The principal balance outstanding at June 30, 2011 was \$18,370,000.
- Joint School Financing Authority issued 2004 Revenue Bonds on May 20, 2004 for \$8,735,000 with interest rates ranging from 3.00% to 5.625%. The bonds were issued to finance the acquisition of the “CFD No. 90-1 Project”, the acquisition of the CFD No. 99-1 Special Tax Bonds and the CFD No. 2000-1 Special Tax Bonds. The principal balance outstanding at June 30, 2011 was \$7,635,000.
- Joint School Financing Authority issued 2005 Refunding Revenue Bonds on March 17, 2005 for \$15,020,000 with interest rates ranging from 4.50% to 5.00%. The bonds were issued to provide funds for the refunding of the Authority’s outstanding 1995 Special Tax Refunding Revenue Bonds Community Facilities Districts Nos. 87-1, 88-4, and 89-2. The principal balance outstanding at June 30, 2011 was \$8,140,000.

E. Debt Service Requirements to Maturity – CFDs & JFAs

The bonds mature through 2041 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,095,000	\$ 3,008,272	\$ 5,103,272
2013	2,260,000	2,901,417	5,161,417
2014	2,440,000	2,789,824	5,229,824
2015	2,640,000	2,672,849	5,312,849
2016	1,140,000	2,583,622	3,723,622
2017 - 2021	6,840,000	11,913,561	18,753,561
2022 - 2026	9,155,000	9,819,207	18,974,207
2027 - 2031	13,725,000	6,640,773	20,365,773
2032 - 2036	14,820,000	2,254,411	17,074,411
2037 - 2041	1,670,000	44,255	1,714,255
	<u>\$ 56,785,000</u>	<u>\$ 44,628,191</u>	<u>\$ 101,413,191</u>

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 9 – LONG-TERM DEBT (continued)

F. Certificates of Participation

On January 1, 2004, the District issued Certificates of Participation, 2004 Qualified Zone Academy Bonds Project in the aggregate principal amount of \$6,000,000, 0% interest, due and payable in January 2019. The bonds were issued to assist in the financing of the District’s Career Technical Education Plan.

The bonds will be repaid through fund accumulation. The District shall make thirteen annual payments to U.S. Bank, which should be sufficient to pay the principal represented by the Certificates when due and payable. Should the funds accumulated be insufficient to pay the principal at maturity, the District is responsible for contributing the additional amount necessary to repay the bonds. The interest rate for the repayment fund is currently 5.51% with a corresponding annual payment of \$376,905 which began on January 30, 2007. The balance remaining to be paid to U.S. Bank at June 30, 2011, amounts to \$3,015,243.

G. Bond Anticipation Notes

On October 21, 2009, the District issued \$41,525,000 of 2009 General Obligation Bond Anticipation Notes, with interest rates ranging from 3.00% to 5.00%. The notes were issued in anticipation of the sale of general obligation bonds of the District authorized under and pursuant to a bond authorization approved by the voters of the District voting at an election on November 4, 2008. The notes mature on December 1, 2011. The proceeds from the notes will be used to provide a portion of the funds necessary to finance specific construction and improvement projects approved by the voters of the District, to pay capitalized interest on the notes and to pay certain costs of issuing the notes. The principal balance outstanding at June 30, 2011 was \$41,525,000.

H. OPSC Portable Lease Purchase

In June 2008, the District approved the purchase of 133 Third Cycle Relocatable Classrooms from the Office of Public School Construction (OPSC), through the use of a non-interest bearing lease. The total purchase price was \$901,000. The principal balance outstanding at June 30, 2011 was \$360,400.

<u>Year Ending June 30,</u>	<u>Payment</u>
2012	\$ 180,200
2013	180,200
	<u>\$ 360,400</u>

I. Compensated Absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2011, amounted to \$1,135,264.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

NOTE 9 – LONG-TERM DEBT (*continued*)

J. PARS Supplementary Retirement Plan

The District offered a supplementary retirement incentive during the fiscal year 2008-2009. Public Agency Retirement Services (PARS) is providing the Supplementary Retirement Plan under Section 403(b) of the Internal Revenue Code. The benefits provided under the plan shall be funded as follows:

<u>Year Ending June 30,</u>	<u>Payment</u>
2012	\$ 1,213,521
2013	1,213,521
2014	1,213,520
2015	471,477
	<u>\$ 4,112,039</u>

K. Other Postemployment Benefits

The District follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The District's annual required contribution for the year ended June 30, 2011, was \$6,627,176 with net interest and other adjustments of \$36,303 for a net annual OPEB cost of \$6,663,479 and contributions made by the District during the year were \$1,413,634, which resulted in an increase to net OPEB obligation of \$5,249,845. The ending OPEB balance at June 30, 2011 was \$15,991,707. See Note 11 for additional information regarding the OPEB Obligation and the postemployment benefit plan.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 10 – FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Non-restricted				
Reserve for revolving cash	\$ 22,000	\$ -	\$ -	\$ 22,000
Reserve for stores inventory	173,387	-	60,369	233,756
Reserve for prepaid expenditures(expenses)	229	1,845,750	-	1,845,979
Spendable				
Restricted				
Educational programs				
Federal	328,905	-	-	328,905
State	2,028,381	-	-	2,028,381
Local	190,040	-	-	190,040
Charter School	-	-	8,603	8,603
Cafeteria	-	-	685,080	685,080
Capital projects	-	79,517,027	22,043,770	101,560,797
Debt service	-	-	21,935,020	21,935,020
Committed				
Adult Education	-	-	68,958	68,958
Deferred Maintenance	-	-	441,735	441,735
Assigned				
Special Reserve - Capital Outlay	-	-	4,626,408	4,626,408
Unassigned				
Reserve for economic uncertainties	5,071,983	-	-	5,071,983
Unassigned	33,446,717	-	-	33,446,717
Total	\$ 41,261,642	\$ 81,362,777	\$ 49,869,943	\$ 172,494,362

The District will maintain an economic uncertainty reserve of at least 3 percent of the General Fund operating expenditures (including other uses of funds). The primary purpose of this reserve is to avoid the need for service level reductions in the event that an economic downturn causes revenues to come in lower than budget. This reserve may be increased from time to time to address specific anticipated revenue shortfalls (state actions, etc.).

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 11 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Plan Description

The Postemployment Benefit Plan (the “Plan”) is a single-employer defined benefit healthcare plan administered by the William S. Hart Union High School District. The District provides health benefits to approximately 1,721 eligible active employees and 291 retirees through the CalPERS Health Program. In general, the District provides a contribution towards health benefits to eligible retirees and their eligible dependents to age 65 up to a monthly maximum. The District’s maximum contribution varies by employee groups and upon the retiree’s attainment of age 65 reduces to the CalPERS minimum required employer contribution. Eligibility for retiree health benefits requires an employee to retire from the District on or after age 55 with at least 10 years of service.

B. Funding Policy

The contribution requirements of Plan members and the District are established and may be amended by the District and District’s bargaining units. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2011, the District contributed \$1,413,634 to the Plan, all of which was used for current premiums.

C. 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 parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation to the Plan:

Annual required contribution	\$	6,627,176
Interest on net OPEB obligation		537,093
Adjustment to annual required contribution		(500,790)
Annual OPEB cost (expense)		6,663,479
Contributions made		(1,413,634)
Increase in net OPEB obligation		5,249,845
Net OPEB obligation, beginning of the year		10,741,862
Net OPEB obligation, end of the year	\$	15,991,707

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 11 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

C. Annual OPEB Cost and Net OPEB Obligation (continued)

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009-2011 is as follows:

Fiscal Year	Annual OPEB Cost	Percentage Contributed	Restated Net OPEB Obligation
6/30/2009	\$ 6,279,840	19%	\$ 10,794,591
6/30/2010	\$ 7,226,602	19%	\$ 10,741,862
6/30/2011	\$ 6,663,479	21%	\$ 15,991,707

D. Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was not funded. This results in an unfunded actuarial accrued liability (UAAL) of \$63,081,295. The covered payroll (annual payroll of active employees covered by the plan) was \$104,030,517, and the ratio of UAAL to the covered payroll was 61 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections and benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 2010 actuarial valuation, the “entry age normal” actuarial cost method was used. The actuarial assumptions included an inflation rate of 5 percent per year; a 5 percent investment return on plan assets. For medical costs a 8 percent trend rate was used, while a 5 percent trend rate was used for dental and vision costs. Finally, payroll is assumed to increase 3.25 percent per year. A level percentage of payroll method was used to allocate amortization cost by year. We used a 30 year amortization period. The District chose to use a closed amortization period, with 28 years remaining at June 30, 2011.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory 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).

A. CalSTRS

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits 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, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2010-11	\$ 6,728,794	100%
2009-10	\$ 6,691,816	100%
2008-09	\$ 7,286,109	100%

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$3,513,632 to CalSTRS (4.267% of salaries subject to CalSTRS in 2010-11).

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS (continued)

B. CalPERS

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement 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, CA 95811.

Funding Policy

Active plan members are required to contribute 7.0% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011 was 10.707% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2010-11	\$ 2,754,779	100%
2009-10	\$ 2,577,236	100%
2008-09	\$ 2,661,333	100%

C. 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 the Social Security as its alternative plan.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 13 – COMMITMENTS AND CONTINGENCIES

A. 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, 2011.

B. 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, 2011.

C. Construction Commitments

As of June 30, 2011, the District had the following commitments with respect to the unfinished capital projects:

	Remaining Construction Commitment	Expected Date of Completion
Placerita Junior High School - Phase 2	\$ 588,466	January 2014
Sierra Vista Junior High School - Phase 1	1,022,099	March 2012
Sierra Vista Junior High School - Phase 2	1,022,099	January 2014
Hart High School - Phase 1	50,820	March 2012
Hart High School - Phase 2	2,777,850	January 2014
Castaic Area High School	732,582	August 20014
Canyon Auditorium	780,336	January 2014
Saugus Auditorium	735,284	January 2014
Saugus QZAB Modernization	177,551	December 2012
Hart Chiller Project	847,297	December 2011
Valencia HVAC Project	352,154	December 2011
Rancho Pico Hardscape	107,839	November 2011
La Mesa Portables Project	151,764	November 2011
Total	\$ 9,346,141	

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 14 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of two joint powers authorities (JPAs). The first is the Self Insurance Risk Management Authority (SIRMA) to provide workers’ compensation coverage and health and welfare benefits, and the other is the Southern California Regional Liability Excess Fund (ReLiEF) to provide liability and property insurance. The relationship is such that the JPAs are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these financial statements. Audited financial statements are available from the respective entities. During the year ended June 30, 2011, the District made payments of \$2,289,520, \$3,212,823, and \$804,369, to SIRMA I (workers’ compensation), SIRMA III (health and welfare benefits), and ReLiEF, respectively.

NOTE 15 – PRIOR PERIOD RESTATEMENTS

The prior period adjustments of net assets consist of the following:

	Governmental Activities
2010 Net Assets	\$ 298,788,037
Decrease in:	
Other Postemployment Benefits	35,305,624
Increase in:	
General Obligation Bonds	(19,240,845)
Restated Net Assets	\$ 314,852,816

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 16 – SUBSEQUENT EVENTS

A. General Obligation Bonds

The District issued \$40,567,734 of 2008 Election, Series B General Obligation Bonds dated November 17, 2011. The bonds mature through August 1, 2036, and yield between 1.00% and 6.50 % interest. The bonds were issued to refinance certain school improvements by paying in full certain outstanding bond anticipation notes of the District that were issued in 2009, to fund capitalized interest on the Bonds through August 1, 2012 and pay certain costs of issuing the Bonds. The Bonds were issued as Current Interest Bonds and Capital Appreciation Bonds. Current Interest Bonds will accrue interest from their date of delivery and will pay interest on February 1 and August 1 in each year to maturity, commencing February 1, 2012. Capital Appreciation Bonds will not pay interest on a current basis, but will accrete interest from their date of delivery to maturity.

B. Tax Revenue Anticipation Notes (TRANS)

The District issued \$14,890,000 of TRANS dated July 1, 2011. The notes mature on March 1, 2012, and yield a 2.00% interest rate. The notes were sold to supplement cash flow. Repayment requirements are that amounts be deposited with the Fiscal Agent during the period January 1, 2012 through and including February 29, 2012 until 100% of total principal and interest have been deposited.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variances -
	Original	Final		Positive / (Negative) Final to Actual
REVENUES				
Revenue limit sources				
State aid	\$ 99,905,299	\$ 107,323,721	\$ 107,630,637	\$ 306,916
Local sources	28,901,753	28,293,231	29,229,996	936,765
Transfers	(2,846,956)	(2,778,228)	(3,432,525)	(654,297)
Federal sources	5,536,244	11,144,552	12,083,310	938,758
Other state sources	26,844,026	28,123,431	33,380,257	5,256,826
Other local sources	1,667,072	1,667,072	4,518,829	2,851,757
Total Revenues	160,007,438	173,773,779	183,410,504	9,636,725
EXPENDITURES				
Certificated salaries	81,414,357	81,150,733	81,199,184	(48,451)
Classified salaries	27,808,289	27,324,259	26,489,276	834,983
Employee benefits	37,225,914	35,868,817	39,915,293	(4,046,476)
Books and supplies	4,637,053	4,815,474	3,956,517	858,957
Services and other operating expenditures	17,035,518	19,244,420	16,991,068	2,253,352
Capital outlay	335,000	335,000	311,083	23,917
Other outgo				
Excluding transfers of indirect costs	500,044	500,044	678,830	(178,786)
Transfers of indirect costs	-	-	(153,900)	153,900
Total Expenditures	168,956,175	169,238,747	169,387,351	(148,604)
Excess (Deficiency) of Revenues				
Over Expenditures	(8,948,737)	4,535,032	14,023,153	9,488,121
Other Financing Sources (Uses):				
Transfers out	(2,104,945)	(3,430,658)	(3,136,338)	294,320
Net Financing Sources (Uses)	(2,104,945)	(3,430,658)	(3,136,338)	294,320
NET CHANGE IN FUND BALANCE	(11,053,682)	1,104,374	10,886,815	9,782,441
Fund Balance - Beginning	30,374,827	30,374,827	30,374,827	-
Fund Balance - Ending	\$ 19,321,145	\$ 31,479,201	\$ 41,261,642	\$ 9,782,441

**WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT (OPEB) FUNDING PROGRESS AND
EMPLOYER CONTRIBUTION
FOR THE YEAR ENDED JUNE 30, 2011**

Actuarial Valuation Date	Actuarial Valuation 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, 2008	\$ -	\$ 53,902,909	\$ 53,902,909	0%	\$ 104,966,000	51%
July 1, 2010	\$ -	\$ 63,081,295	\$ 63,081,295	0%	\$ 104,030,517	61%

**SUPPLEMENTARY
INFORMATION**

**WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education (CDE):			
No Child Left Behind Act (NCLB):			
Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program	84.330	14831	\$ 5,411
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	378,997
ARRA Title II, Part D, Enhancing Education Through Technology, Competitive Grants (EETT)	84.386	15126	351,082
Title III Cluster:			
Title III, Immigrant Education Program	84.365	15146	39,083
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	232,614
Subtotal			271,697
Title X Cluster:			
Title X McKinney-Vento Homeless Children Assistance Grants	84.196	14332	48,078
ARRA Title X McKinney-Vento Homeless Assistance	84.387	15007	8,052
Subtotal			56,130
ARRA: State Fiscal Stabilization Fund (SFSF)	84.394	25008	1,473,185
Education Jobs Fund (SB 847)	84.410	25152	4,423,044
Special Education Cluster:			
IDEA Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	3,847,344
IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	1,308
ARRA IDEA Part B, Sec 611, Basic Local Assistance	84.391	15003	161,921
Subtotal			4,010,573
School-Based Student Drug-Testing Programs	84.184D	*	107,804
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	174,176
Adult Basic Education & ESL	84.002A	14508	106,297
Passed through California Department of Rehabilitation:			
Transitions Partnership Cluster:			
Department of Rehabilitation: Workability II, Transitions Partnership	84.158	10006	366,571
ARRA - Transitions Partnership	84.390	*	29,242
Subtotal			395,813
Total U. S. Department of Education			11,754,209
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch	10.555	13396	854,477
Especially Needy Breakfast	10.553	13526	152,645
Commodities	10.555	13389	100,924
Subtotal			1,108,046
Forest Reserve	10.665	10044	17,395
Total U. S. Department of Agriculture			1,125,441
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed through California Department of Health Services:			
Medi-Cal Billing Option	93.778	10013	631,153
Total U. S. Department of Health & Human Services			631,153
U.S. DEPARTMENT OF DEFENSE			
Reserve Officers' Training Corps (ROTC)	12.unk	*	153,744
Flood Control Projects	12.106	*	2,913
Total U. S. Department of Defense			156,657
Total Federal Expenditures			\$ 13,667,460

* - Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

**WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2011**

	Second Period Report	Annual Report
ELEMENTARY		
Seventh through eighth	6,232	6,219
Home and hospital	6	9
Special day class	499	500
Total Elementary	6,737	6,728
SECONDARY		
Regular classes	13,934	13,888
Continuation education	383	364
Opportunity schools	4	3
Home and hospital	43	45
Special day class	921	917
Total Secondary	15,285	15,217
Average Daily Attendance Total	22,022	21,945

CHARTER SCHOOL

	Second Period Report	Annual Report
TRANSITIONAL LEARNING CENTER		
REGULAR ELEMENTARY AND HIGH SCHOOL		
Total ninth through twelfth	73	71
Total Elementary and High School	73	71
Classroom-based ninth through twelfth	73	71
Total Classroom-Based Elementary and High School	73	71
EXTENDED YEAR SPECIAL EDUCATION		
Total ninth through twelfth	3	3
Total Extended Year Special Education	3	3
Classroom-based ninth through twelfth	3	3
Total Classroom-Based Extended Year Special Education	3	3

See accompanying note to supplementary information.

**WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA), continued
FOR THE YEAR ENDED JUNE 30, 2011**

	Second Period Report	Annual Report
SEQUOIA CHARTER		
REGULAR ELEMENTARY AND HIGH SCHOOL		
Total seventh through eighth	7	7
Total ninth through twelfth	35	35
Total Elementary and High School	42	42
Classroom-based seventh through eighth	7	7
Classroom-based ninth through twelfth	35	35
Total Classroom-Based Elementary and High School	42	42
EXTENDED YEAR SPECIAL EDUCATION		
Total ninth through twelfth	2	2
Total Extended Year Special Education	2	2
Classroom-based ninth through twelfth	2	2
Total Classroom-Based Extended Year Special Education	2	2

See accompanying note to supplementary information.

**WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Grade Level</u>	<u>1982 - 83</u>	<u>1982 - 83</u>	<u>1986 - 87</u>	<u>1986 - 87</u>	<u>2010-11</u>	<u>Number of Days</u>	<u>Status</u>
	<u>Actual Minutes</u>	<u>Actual Minutes Reduced</u>	<u>Minutes Requirement</u>	<u>Minutes Requirement Reduced</u>	<u>Actual Minutes</u>		
Grade 7	50,750	49,340	54,000	52,500	54,955	180	Complied
Grade 8	50,750	49,340	54,000	52,500	54,955	180	Complied
Grade 9	49,875	48,490	64,800	63,000	67,115	180	Complied
Grade 10	49,875	48,490	64,800	63,000	67,115	180	Complied
Grade 11	49,875	48,490	64,800	63,000	67,115	180	Complied
Grade 12	49,875	48,490	64,800	63,000	67,115	180	Complied

See accompanying note to supplementary information.

**WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

	2012 (Budget)	2011	2010	2009
GENERAL FUND:				
Revenues	\$ 163,701,792	\$ 183,410,504	\$ 174,412,922	\$ 183,746,544
Transfers in	-	-	2,976,333	-
Total	163,701,792	183,410,504	177,389,255	183,746,544
Expenditures	178,280,183	169,387,351	168,451,281	180,079,815
Other uses and transfers out	2,015,226	3,136,338	1,522,080	1,243,845
Total	\$ 180,295,409	\$ 172,523,689	\$ 169,973,361	\$ 181,323,660
INCREASE/(DECREASE)				
IN FUND BALANCE	\$ (16,593,617)	\$ 10,886,815	\$ 7,415,894	\$ 2,422,884
ENDING FUND BALANCE				
	\$ 24,668,025	\$ 41,261,642	\$ 30,374,827	\$ 22,958,933
AVAILABLE RESERVES¹				
	\$ 22,427,913	\$ 38,518,700	\$ 30,170,922	\$ 22,848,201
AVAILABLE RESERVES AS A PERCENTAGE OF OUTGO				
	12.4%	22.3%	17.8%	12.6%
LONG-TERM DEBT				
	N/A	\$ 356,523,906	\$ 351,844,009	\$ 321,947,105
AVERAGE DAILY ATTENDANCE AT P-2				
	21,668	22,022	22,097	22,081

The General Fund balance has increased by \$18,302,709 over the past two years. The fiscal year 2011-2012 budget projects a decrease of \$16,593,617 (40.2 percent). For a district this size, the State recommends available reserves of at least three percent of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years but anticipates incurring an operating deficit during the 2011-2012 fiscal year. Total long term obligations have increased by \$34,576,801 over the past two years.

Average daily attendance has decreased by 59 ADA over the past two years. Further decrease of 354 ADA is anticipated during the 2011-2012 fiscal year.

¹ Available reserves consist of all unassigned fund balance within the General Fund, including the Reserve for Economic Uncertainty.

**WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2011.

**WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
 SCHEDULE OF CHARTER SCHOOLS
 FOR THE YEAR ENDED JUNE 30, 2011**

Charter School	Status	Included in Audit Report
Albert Einstein Academy for Letters, Arts & Sciences	Active	Not Included
Mission View Public Charter	Active	Not Included
Opportunities for Learning - Santa Clarita	Active	Not Included
Santa Clarita Valley International	Active	Not Included
Sequoia Charter	Active	Included
Transitional Learning Center Charter	Active	Included

See accompanying note to supplementary information.

**WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2011**

	Charter School Fund	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Project Fund for Blended Component Units	Bond Interest & Redemption Fund	Debt Service Fund for Blended Component Units	Non-Major Governmental Funds
ASSETS											
Cash and cash equivalents	\$ -	\$ 42,228	\$ 721,820	\$ 440,477	\$ 9,920,021	\$ 421,059	\$ 5,555,611	\$ 11,976,209	\$ 9,375,254	\$ 12,554,043	\$ 51,006,722
Accounts receivable	312,701	58,972	138,824	1,258	76,379	2,046	17,388	1,453	-	5,723	614,744
Stores inventory	-	-	60,369	-	-	-	-	-	-	-	60,369
Total Assets	\$ 312,701	\$ 101,200	\$ 921,013	\$ 441,735	\$ 9,996,400	\$ 423,105	\$ 5,572,999	\$ 11,977,662	\$ 9,375,254	\$ 12,559,766	\$ 51,681,835
LIABILITIES											
Deficit cash	\$ 273,864	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 273,864
Accrued liabilities	30,234	23,333	164,136	-	159,760	43,637	946,591	-	-	-	1,367,691
Deferred revenue	-	8,909	11,428	-	150,000	-	-	-	-	-	170,337
Total Liabilities	304,098	32,242	175,564	-	309,760	43,637	946,591	-	-	-	1,811,892
FUND BALANCES											
Non-spendable	-	-	60,369	-	-	-	-	-	-	-	60,369
Spendable											
Restricted											
Educational programs	8,603	-	685,080	-	-	-	-	-	-	-	693,683
Capital projects	-	-	-	-	9,686,640	379,468	-	11,977,662	-	-	22,043,770
Debt service	-	-	-	-	-	-	-	-	9,375,254	12,559,766	21,935,020
Committed	-	68,958	-	441,735	-	-	-	-	-	-	510,693
Assigned	-	-	-	-	-	-	4,626,408	-	-	-	4,626,408
Total Fund Balances	8,603	68,958	745,449	441,735	9,686,640	379,468	4,626,408	11,977,662	9,375,254	12,559,766	49,869,943
Total Liabilities and Fund Balance	\$ 312,701	\$ 101,200	\$ 921,013	\$ 441,735	\$ 9,996,400	\$ 423,105	\$ 5,572,999	\$ 11,977,662	\$ 9,375,254	\$ 12,559,766	\$ 51,681,835

See accompanying note to supplementary information.

**WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2011**

	Charter School Fund	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Project Fund for Blended Component Units	Bond Interest & Redemption Fund	Debt Service Fund for Blended Component Units	Non-Major Governmental Funds
REVENUES											
Revenue limit sources											
State aid	\$ 690,704	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 690,704
Federal sources	-	106,297	1,108,046	-	-	-	-	-	-	-	1,214,343
Other state sources	96,089	11,501	175,616	-	-	5,108	-	-	102,053	-	390,367
Other local sources	148,497	93,211	2,388,205	2,557	2,262,823	22,408	41,370	3,306,475	10,976,827	6,188,201	25,430,574
Total Revenues	935,290	211,009	3,671,867	2,557	2,262,823	27,516	41,370	3,306,475	11,078,880	6,188,201	27,725,988
EXPENDITURES											
Current											
Instruction	1,822,302	354,158	-	-	-	-	-	-	-	-	2,176,460
Instruction-related services											
Instructional supervision and administration	225,192	-	-	-	-	-	-	-	-	-	225,192
Instructional library, media, and technology	54	-	-	-	-	-	-	-	-	-	54
School site administration	8,073	295,892	-	-	-	-	-	-	-	-	303,965
Pupil services											
Food services	-	-	3,384,894	-	-	-	-	-	-	-	3,384,894
All other pupil services	20,815	18,501	-	-	-	-	-	-	-	-	39,316
General administration											
All other general administration	-	-	153,900	-	1,097,865	-	-	-	-	-	1,251,765
Plant services	36,751	505	133,606	(32,929)	87,315	5,552	-	-	-	-	230,800
Facilities acquisition and maintenance	-	-	-	22,139	-	2,908,688	993,453	320,883	-	-	4,245,163
Ancillary services	6,282	-	-	-	-	-	-	-	-	-	6,282
Transfers to other agencies	-	-	-	-	376,905	5,108	-	-	-	-	382,013
Debt service											
Principal	-	-	-	-	180,200	-	-	-	5,860,000	1,925,000	7,965,200
Interest and other	-	-	-	-	-	-	-	25,536	4,763,475	3,671,639	8,460,650
Total Expenditures	2,119,469	669,056	3,672,400	(10,790)	1,742,285	2,919,348	993,453	346,419	10,623,475	5,596,639	28,671,754
Excess (Deficiency) of Revenues											
Over Expenditures	(1,184,179)	(458,047)	(533)	13,347	520,538	(2,891,832)	(952,083)	2,960,056	455,405	591,562	(945,766)
Other Financing Sources (Uses)											
Transfers in	1,183,831	286,794	-	340,000	1,325,713	200,000	-	739,150	-	-	4,075,488
Transfers out	-	-	-	-	-	-	-	-	-	(739,150)	(739,150)
Net Financing Sources (Uses)	1,183,831	286,794	-	340,000	1,325,713	200,000	-	739,150	-	(739,150)	3,336,338
NET CHANGE IN FUND BALANCE	(348)	(171,253)	(533)	353,347	1,846,251	(2,691,832)	(952,083)	3,699,206	455,405	(147,588)	2,390,572
Fund Balance - Beginning	8,951	240,211	745,982	88,388	7,840,389	3,071,300	5,578,491	8,278,456	8,919,849	12,707,354	47,479,371
Fund Balance - Ending	\$ 8,603	\$ 68,958	\$ 745,449	\$ 441,735	\$ 9,686,640	\$ 379,468	\$ 4,626,408	\$ 11,977,662	\$ 9,375,254	\$ 12,559,766	\$ 49,869,943

See accompanying note to supplementary information.

**WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
 NOTES TO SUPPLEMENTARY INFORMATION
 JUNE 30, 2011**

NOTE 1 – PURPOSE OF SCHEDULES

A. Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Governmental Funds - 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 in a prior year that have been expended by June 30, 2011.

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 13,297,653
Medi-Cal Billing Option	93.778	369,807
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 13,667,460</u>

B. 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.

C. 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.

NOTE 1 – PURPOSE OF SCHEDULES (continued)

D. 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.

E. Schedule 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 Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

F. Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

G. Combining Statements – Non-Major Governmental Funds

These statements provide information on the District's non-major funds.

H. 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. (Located in the front of the audit report)

**OTHER INDEPENDENT
AUDITORS' REPORTS**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
William S. Hart Union High School District
Santa Clarita, California

We have audited the financial statements of William S. Hart Union High School District as of and for the year ended June 30, 2011, and have issued our report thereon dated November 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

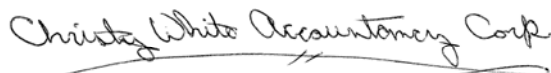
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as item #2011-01. A significant deficiency is a deficiency, or 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.

Compliance and Other Matters

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

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

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

Christy White Accountancy Corp

Rancho Cucamonga, California

November 29, 2011



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

Board of Trustees
William S. Hart Union High School District
Santa Clarita, California

Compliance

We have audited William S. Hart Union High School District's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. William S. Hart Union High School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of William S. Hart Union High School District's management. Our responsibility is to express an opinion on William S. Hart Union High School District's compliance based on our audit.

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

In our opinion, William S. Hart Union High School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

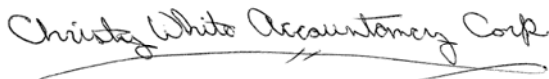
Internal Control over Compliance

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

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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



Rancho Cucamonga, California
November 29, 2011



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
 William S. Hart Union High School District
 Santa Clarita, California

We have audited William S. Hart Union High School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2010-11*, issued by the California Education Audit Appeals Panel as regulations for the year ended June 30, 2011. Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of William S. Hart Union High School District's management. Our responsibility is to express an opinion on William S. Hart Union High School District's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2010-11*, 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 occurred. An audit includes examining, on a test basis, evidence about William S. Hart Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on William S. Hart Union High School District's compliance with the state laws and regulations referred to above.

In connection with the audit referred to above, we selected and tested transactions and records to determine William S. Hart Union High School District's compliance with the state laws and regulations applicable to the following items:

<u>PROGRAM NAME</u>	<u>PROCEDURES IN AUDIT GUIDE</u>	<u>PROCEDURES PERFORMED</u>
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Not Applicable
Independent Study	23	No, see below
Continuation Education	10	Yes
Instructional Time for:		
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

SAN DIEGO

RANCHO CUCAMONGA

<u>PROGRAM NAME</u>	<u>PROCEDURES IN AUDIT GUIDE</u>	<u>PROCEDURES PERFORMED</u>
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Class Size Reduction (including in charter schools):		
General requirements	7	Not Applicable
Option One	3	Not Applicable
Option Two	4	Not Applicable
Districts or charter schools with only one school serving K - 3	4	Not Applicable
After School Education and Safety Program:		
General requirements	4	Not Applicable
After school	4	Not Applicable
Before school	5	Not Applicable
Contemporaneous Records of Attendance; for charter schools	1	Yes
Mode of Instruction; for charter schools	1	Yes
Nonclassroom-Based Instruction/Independent Study; for charter schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	3	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	3	Yes

We did not perform testing for Independent Study because ADA was below the required threshold for testing.

In our opinion, William S. Hart Union High School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2011.

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

Christy White Accountancy Corp

Rancho Cucamonga, California
November 29, 2011

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2011**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>
<u>84.394 (ARRA)</u>	<u>ARRA: State Fiscal Stabilization Fund (SFSE)</u>
<u>84.410</u>	<u>Education Jobs Fund (SB 847)</u>
<u>93.778</u>	<u>Medi-Cal Billing Option</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 410,024</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued on compliance for state programs:	<u>Unqualified</u>

**WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

FIVE DIGIT CODE
30000

AB 3627 FINDING TYPE
Internal Control

Finding #2011-01: Associated Student Body (ASB) Account Internal Control Deficiencies(30000)

Criteria: Maintaining sound internal control procedures over cash receipts, cash disbursements, bank reconciliations and minutes of council meetings reduces the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

Condition: Through our testing of the school site ASB accounts, we noted a lack of proper internal controls, including; expenditures made prior to approval, lack of approval through the student council minutes, payments made to employees for services, lack of revenue potentials for fundraisers, and lack of controls regarding sales and inventory at the student store.

Cause: Insufficient controls over student body activities.

Effect: The potential for irregularities in accounting to go undetected.

Questioned Costs: None

Recommendation: The District should provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the importance for sound internal control procedures to be implemented.

District Response: The District will continue to aggressively in-service both Associated Student Body (ASB) Advisors and Student Body Clerks to provide reinforcement of internal control procedures and ensure their compliance. In addition to providing electronic access to the FCMAT ASB Manual and Desk Reference, the pertinent sections will be reviewed in depth during the in-service sessions.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Five Digit Code
50000

AB 3627 Finding Type
Federal Compliance

There were no federal award findings or questioned costs in 2010-11.

**WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Five Digit Code

10000
40000
61000
70000
71000
72000

AB 3627 Finding Type

Attendance
State Compliance
Classroom Teacher Salaries
Instructional Materials
Teacher Misassignments
School Accountability Report Card

There were no state award findings or questioned costs in 2010-11.

WILLIAM S. HART UNION HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

FIVE DIGIT CODE

10000

AB 3627 FINDING TYPE

Attendance

Finding #2010-01: Sequoia Attendance Reporting

Criteria: Pursuant to Title 5, CCR, Section 11703, maintaining records to meet audit requirements is the responsibility of the local district or county superintendent's office. Records shall include, but not be limited to, a daily or hourly attendance credit register, as appropriate to the program in which the pupils or adult education students are enrolled, separate from classroom attendance records, and maintained on a current basis as time values of pupil or adult education student work products are personally judged by a certificated teacher and reviewed by the supervising teacher, if they are two different persons.

Condition: We noted differences between the teachers' weekly rosters and monthly report. Numerous absences noted on the weekly rosters were not reported on the monthly attendance report. Absences were not posted properly by selecting the box for all day absence in the system.

Cause: Unknown

Effect: This resulted in a 10.56 ADA overstatement.. However, this was corrected prior to submitting the Second Period Attendance Report.

Questioned Costs: Unknown

Context: We tested a total of six students at Sequoia Charter School whom had absent notes, for test month seven. All six students were not properly posted absent on the monthly attendance report.

Recommendation: The District should revise all attendance months by properly selecting the box for all day absence if it applies. Also, to verify the accuracy of the attendance data, the monthly attendance report should be compared to the teachers' source documents to ensure that absences are reported correctly.

Current Status: Implemented