Audited Financial Statements

Report of Independent Auditors

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the El Monte Union High School District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2012 on our consideration of El Monte Union High School District's internal control over financial reporting and 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 controls over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 12 and 46, respectively, be presented to supplement the basic financial statements. Such information, although not a part of

Management's Discussion and Analysis

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ction of El Monte Union Highthe "District")

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

FINANCIAL HIGHLIGHTS

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

Telecommunication Services include: voice and

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets was $105.4 million for the fiscal year ended June 30, 2012. Of this amount, $23.3 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that

Changes in Net Assets

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

Table 2

(Amounts in millions)	Governmental Activities 2012	Governmental Activities 2011
Revenues		
Program revenues:		
Charges for services	$ 1.3	$ 1.5
Operating grants and contributions	22.8	26.4
Capital grants and contributions	-	3.3
General revenues:		
State revenue limit sources	67.2	67.1
Property taxes	20.9	20.4
Other general revenues	5.7	4.2
Total revenues	117.9	122.9
Expenses		
Instruction and Instruction-related	74.9	77.6
Pupil services	15.7	15.0
General administration	7.8	7.1
Plant services	14.7	14.2
Other (other outgo, interest on long-term obligations)	8.5	13.0
Total expenses	121.6	127.0
Change in net assets	$ (3.7)	$ (4.0)

Governmental Activities

As reported in the *Statement of Activities on page 14,* the cost of all of our governmental activities this year was $121.6 million. The cost was paid by those who benefited from the programs ($1.3 million) or by the other governments and organizations who subsidized certain programs with grants and contributions ($22.8 million). We paid for the remaining "public benefit" portion of our governmental activities with $20.9 million in taxes, $72.9 million in State and Federal funds and with other revenues, such as interest and general entitlements.

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

Table 3

(Amounts in millions)	Governmental Activities 2012 Total Cost of Services	2012 Net Cost of Services	2011 Total Cost of Services	2011 Net Cost of Services
Instruction related	$ 75	$ 57	$ 78	$ 53
Pupil services	16	10	15	10
General administration	8	8	7	7
Plant services	14	13	14	14
Other (other outgo, ancillary services, enterprise services, interest on long-term obligations)	9	10	13	13
Total	$ 122	$ 98	$ 127	$ 96

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported *combined* fund balances of $61.4 million which is a decrease of $10.7 million from last year (Table 4).

Table 4

(Amounts in millions)	Balances and Activity July 1, 2011	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2012	Increase (Decrease)
General Fund *	$ 20.6	$ 95.4	$ 100.5	$ 15.5	$ (5.1)
Building Fund	23.1	0.3	9.2	14.2	(8.9)
Adult Education Fund	9.3	14.4	11.6	12.1	2.8
Child Development Fund	-	0.4	0.4	-	-
Cafeteria Fund	2.4	4.9	4.7	2.6	0.2
Deferred Maintenance Fund	2.8	-	0.3	2.5	(0.3)
Capital Facilities Fund	1.9	0.3	-	2.2	0.3
County School Facilities Fund	6.7	-	-	6.7	-
Special Reserve Fund for Capital Outlay Projects	1.5	-	-	1.5	-
Bond Interest and Redemption Fund	3.8	10.5	10.2	4.1	0.3
Total	$ 72.1	$ 126.2	$ 136.9	$ 61.4	$ (10.7)

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

The primary reason for the overall decrease is:

The Building Fund reflected a net decrease of $8.9 million because of higher capital expenditures during the year.

The General Fund reflected a decrease of $5.1 million because of the transfer of funds from the General Fund to the Adult Education Fund during the year.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected

Long-term Obligations

At the end of this year, the District had $177.1 million in long-term obligations outstanding versus $180.0 million last year, a decrease of $3 million. Those long-term obligations consisted of:

	2012	**2011**

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Basic Financial Statements

		Governmental Activities
ASSETS		
Current assets		
Deposits and investments	$	54,325,655
Receivables		31,437,671
Stores inventories		570,858
Other current assets		557,916
Total current assets		86,892,100
Noncurrent assets		
Deferred debt issuance cost		3,073,525
Capital assets		
Land and construction in process		10,255,809
Other capital assets		271,827,489
Less accumulated depreciation		(63,733,927)
Capital assets, net		218,349,371
Total noncurrent assets		221,422,896
Total assets	$	308,314,996
LIABILITIES		
Current liablities		
Accounts payable	$	7,000,629
Salaries and benefits payable		3,403,520
Accrued interest payable		494,539
Deferred revenue		49,373
Tax revenue anticipation note		15,000,000
Current portion of long-term obligations		6,394,269
Total current aliabilities		32,342,330
Noncurrent liablities		
Capital lease payable		622,369
Other postemployment benefits other than pension (OPEB)		3,509,438
PARS supplemental retirement plan		2,753,215
Compensated absences		1,107,591
General obligation bonds and notes payable		162,622,123
Total noncurrent liabilities		170,614,736
Total liabilities		202,957,066
NET ASSETS		
Invested in capital assets, net of related debt		66,743,668
Restricted for:		
Capital projects		8,995,549
Debt service		4,858,283
Educational programs		1,411,256
Unrestricted		23,349,174
Total net assets		

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

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Governmental Activities
Governmental activities:				
Instruction	$ 62,639,931	$ 431,658	$ 14,859,502	$ (47,348,771)
Instruction - related activities				
Supervision of instruction	3,424,095	168,335	2,135,125	(1,120,635)
Instruction library, media and technology	1,755,172	-	762,354	(992,818)
School site administration	7,033,115	-	337,110	(6,696,005)
Pupil services				
Home-to-school transportation	1,916,837	-	225,421	(1,691,416)
Food services	4,378,961	551,129	4,390,867	563,035
All other pupil services	9,371,557	-	61,523	(9,310,034)
General administration				
Data processing	1,416,922	-	-	(1,416,922)
All other general administration	6,342,634	-	-	(6,342,634)
Plant services	12,663,868	117,238	-	(12,546,630)
Ancillary services	1,884,408	-	-	(1,884,408)
Enterprise services	227,687	-	-	(227,687)
Interest on long-term obligations	6,958,913	-	-	(6,958,913)
Other outgo	1,592,493	10,669	-	(1,581,824)
Total governmental activities	$ 121,606,593	$ 1,279,029	$ 22,771,902	$ (97,555,662)

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

		General Fund		Building Fund		Nonmajor Governmental Funds		Total Governmental Funds
ASSETS								
Deposits and investments	$	13,086,142	$	15,009,150	$	26,230,363	$	54,325,655
Receivables		30,437,830		30,401		969,440		31,437,671
Due from other funds		-		-		5,264,612		5,264,612
Prepaid expenditures		-		-		-		-
Store inventories		280,614		-		290,244		570,858
Other current assets		557,916		-		-		557,916
Total assets	$	44,362,502	$	15,039,551	$	32,754,659	$	92,156,712
LIABILITIES AND FUND BALANCES								
LIABILITIES:								
Accounts payable	$	5,699,099	$	786,673	$	514,857	$	7,000,629
Salaries and benefits payable		2,792,896		17,767		592,857		3,403,520
Due to other funds		5,264,612		-		-		5,264,612
Tax revenue anticipation notes		15,000,000		-		-		15,000,000
Deferred revenue		49,373		-		-		49,373
Total liabilities		28,805,980		804,440		1,107,714		30,718,134
FUND BALANCES								
Nonspendable								
Revolving cash		30,000		-		3,275		33,275
Store inventories		280,614		-		290,244		570,858
Prepaid expenditures		-		-		-		-
Restricted								
Legally restricted programs		-		-		10,406,805		10,406,805
Capital projects		-		14,235,111		-		14,235,111
Debt service		902,300		-		3,955,983		4,858,283
Committed		-		-		-		-
Assigned		-		-		-		-
Unassigned								
Reserve for economic uncertainties		2,984,806		-		-		2,984,806
Unassigned		11,358,802		-		-		11,358,802
Special revenue funds		-		-		15,487,576		15,487,576
Capital projects		-		-		1,503,062		1,503,062
Total fund balance		15,556,522		14,235,111		31,646,945		61,438,578
Total liabilities and fund balance	$	44,362,502	$	15,039,551				

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

Total Fund Balance - Governmental Funds	$ 61,438,578

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

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

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

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
Year ended June 30, 2012

Net Change in Fund Balances - Governmental Funds		$ (10,634,103)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Assets, and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount of which capital outlay exceeds depreciation expense in the period.		
Capital outlay	$ 10,328,598	
Depreciation expense	(6,202,428)	
Net expense adjustment		4,126,170
Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. However, the difference between the annual required contribution and the actual contribution made, if less, is recorded in the government-wide financial statements as an expense. The actual amount of the contribution was less than the annual required contribution.		(1,207,907)
In the Statement of Activities, certain operating expenses - supplementary early retirement payments - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Annuities of $1,533,352 were paid during the year.		1,533,352
In the Statement of Activities, certain operating expenses - compensated absences (vacations) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was more than the amounts used by $121,981.		(121,981)
Repayment of debt is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities:		
General obligation bonds	4,240,000	
Capital lease payment	186,715	
Combined adjustment		4,426,715
Proceeds from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities. This includes proceeds from new capital lease during the year.		(1,000,000)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:		
Amortization of debt premium	$ 762,996	
Amortization of cost of issuance	(217,114)	
Amortization of deferred amount on refunding	(133,141)	
Combined adjustment		412,741
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on general obligation bonds decreased by $8,104. Second, $1,309,184 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.		(1,301,080)
Change in Net Assets of Governmental Activities		$ (3,766,093)

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

		Agency Funds
ASSETS		
Deposits and investments	$	1,153,027
LIABILITIES		
Due to student groups	$	1,153,027

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonmajor Governmental Funds

Special Revenue Funds. The Special Revenue Funds are established to account for the proceeds from specific re

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

Basis of Accounting - Measurement Focus

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each governmental program, and excludes fiduciary activity. The District does not have any business-type activities. District expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sick leave is accumulated without limit for each employee at the rate of one day for

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

The Board of Trustees, as the District's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specific use through the same type of formal action taken to establish the commitment. The District does not have any fund balance that meets this classification as of June 30, 2012.

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District considers the restricted fund balances to have been spent when expenditure is incurred for purposes for which both unrestricted and restricted fund balance is available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balanc

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Property Tax

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

NOTE 2 DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	$	$54,325,655
Fiduciary funds		1,153,027
	$	55,478,682

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

Cash in bank	$	1,159,525
Cash in revolving		33,275
Investments		54,285,882
	$	55,478,682

Policies and Practices

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

NOTE 2 DEPOSITS AND INVESTMENTS

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

General Authorization

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk - Deposits
This is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2012, none of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

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

NOTE 3 RECEIVABLES

Receivables at June 30, 2012, 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 Funds
Federal Government Categorical Aid	$ 1,692,412	$ -	$ 536,560	$ 2,228,972
State Government				
Apportionment	25,001,415	-	-	25,001,415
Categorical Aid	1,618,796	-	381,070	1,999,866
Lottery	1,136,059	-	-	1,136,059
Local Government				
Interes-		30,401	24,821	55,222
Other local sources	989,148	-	26,989	1,016,137
Total	$ 30,437,830	$ 30,401	$ 969,440	$ 31,437,671

NOTE 4 CAPITAL ASSETS

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

	Balance July 1, 2011	Additions	Deletions	Reclassifcation	Balance June 30, 2012
Governmental activities:					
Capital assets not being depreciated					
Land	$ 5,719,005	$ -	$ -	$ -	$ 5,719,005
Construction in process	70,024,111	9,116,917	-	(74,604,224)	4,536,804
Total capital assets not being depreciated	75,743,116	9,116,917	-	(74,604,224)	10,255,809
Capital assets being depreciated					
Land improvements	4,649,511	-			4,649,511
Buildings and improvements	176,039,042	-	-	74,604,224	250,643,266
Furniture and equipment	15,323,031	1,211,681	-	-	16,534,712
Total capital assets being depreciated	196,011,584	1,211,681	-	74,604,224	271,827,489
Less accumulated depreciation					
Land improvements	3,670,761	149,129	-	-	3,819,890
Buildings and improvements	43,546,763	5,105,797	-	-	48,652,560
Furniture and equipment	10,313,975	947,502	-	-	11,261,477
Total accumulated depreciation	57,531,499	6,202,428	-	-	63,733,927
Capital assets being depreciated, net	138,480,085	(4,990,747)	-	74,604,224	208,093,562
Governmental activities capital assets, net	$ 214,223,201	$ 4,126,170	$ -	$ -	$ 218,349,371

Depreciation expense was charged as a direct

NOTE 5 INTERFUND TRANSACTIONS (CONTINUED)

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 ACCOUNTS PAYABLE

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

	General Fund	Building Fund	Nonmajor Governmental Funds	Total Governmental Activities
Federal apportionment	$ 416,938	$ -	$ -	$ 416,938
State apportionment	122,491	-	-	122,491
Construction	-	786,673	-	786,673
Special education payable	2,197,774	-	-	2,197,774
All other vendor payables	2,961,896	-	514,857	3,476,753
Total	$ 5,699,099	$ 786,673	$ 514,857	$ 7,000,629

NOTE 7 DEFERRED REVENUE

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

	General Fund
Federal financial assistance	$ 49,373

NOTE 8 LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Due in One Year
General obligation bonds	$ 131,141,856	$ 1,309,184	$ 4,240,000	$ 128,211,040	4,670,000
Premium on bonds	8,971,809	-	762,996	8,208,813	-
Deferred amount on refunding	(1,401,523)	-	(133,142)	(1,268,381)	-
Subtotal - GO bonds	138,712,142	1,309,184	4,869,854	135,151,472	4,670,000
General obligation bond anticipation notes	30,200,000	-	-	30,200,000	-
Premium on bond anticipation notesmd ant		-			

NOTE 8 LONG-TERM OBLI

NOTE 8 LONG-TERM OBLIGATIONS (CONTINUED)

Election of 2008, Series A
On June 16, 2009, the District issued $54,001,305 of Series A General Obligation Bonds. The bonds mature beginning on June 1, 2011, through June 1, 2034, with interest yields ranging from 2.51 to 5.42 percent. The Series A bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting $3,593,695, and an aggregate principal debt service balance of $57,595,000. The Series A General Obligation bonds were issued for the purpose of financing the construction and renovation of school facilities. The District received net proceeds of $55,094,350 (including a premium of $2,503,000 and payment of $1,409,955 for issuance costs). At June 30, 2012, the Series A General Obligation Bonds principal balance outstanding was $54,509,468 and unamortized premium and issuance costs were $2,197,149 and $1,237,667, respectively.

The general obligation bonds mature through 2034 as follows:

Fiscal Year	Principal (including accreted interest todate)	Accreted Interest	Current Interest to Maturity	Total
2013	$ 4,488,752	$ 181,248	$ 5,934,463	$ 10,604,463
2014	4,692,481	522,519	5,828,713	11,043,713
2015	4,909,724	840,276	5,744,588	11,494,588
2016	4,642,599	1,587,401	5,668,613	11,898,613
2017	6,537,321	437,679	5,637,388	12,612,388
2018-2022	35,660,163	1,322,783	24,920,390	61,903,336
2023-2027	23,080,000	-	15,907,488	38,987,488
2028-2032	33,520,000	-	8,649,862	42,169,862
2032-2035	10,680,000	-	892,375	11,572,375
Total	$ 128,211,040	$ 4,891,906	$ 79,183,880	$ 212,286,826

General Obligation Bond Anticipation Notes
On May 17, 2011, the District issued $30,200,000 General Obligation Bond Anticipation Notes (the "Notes). The Notes, which bear interest of 5%, were issued for the purpose of financing the repair, upgrading, acquisition, construction and equipping of certain District property and facilities in anticipation of proceeds from general obligation bonds to be issued pursuant to a duly called election of the registered voters of the District held on November 4, 2008 which authorized the issuance and sale of $148,000,000 principal amount of general obligation bonds of the District. The Notes are payable on June 1, 2013 from (1) proceeds of the future sale of bonds, (2) proceeds of the sale of bond anticipation notes in renewal of the notes, or (2) the other funds of the District lawfully available for the purpose of repaying the Notes, including State grants. The District has covenanted in the Resolution to take all actions required to authorize, sell and issue on or before June 2, 2013, Bonds, Renewal Notes or Certificates of Participation in an aggregate principal amount which is sufficient to pay the principal of and interest on the Notes due and payable at maturity.

NOTE 8 LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Bond Anticipation Notes (Continued)

The District received net proceeds of $31,759,452 (including a premium of $1,940,652 and payment of $381,200 for issuance costs). At June 30, 2012, the Notes principal balance outstanding was $30,200,000 and unamortized premium and issuance costs were $1,940,652 and $381,200 respectively.

Capital lease Obligation

During fiscal year 2012, the District entered into a new capital lease for photocopiers totaling $1,000,000. Future minimum lease payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 190,916	$ 34,659	$ 225,575
2014	199,606	25,969	225,575
2015	208,689	16,886	225,575
2016	214,074	11,501	225,575
Total	$ 813,285	$ 89,015	$ 902,300

Other Postemployment Benefits (OPEB) Obligation

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2009. The Districts' annual required contribution for the year ended June 30, 2012, was $2,030,984 and contributions made by the District during the year were $938,154. Interest on the net OPEB obligation was $115,077, which resulted in an increase to the net OPEB obligation of $1,207,907. As of June 30, 2012 the net OPEB obligation was $3,509,438. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

PARS Supplemental Retirement Plan

During the 2008-2009 and 2009-2010 school years, the District adopted a supplemental early retirement plan whereby certain eligible employees are provided an annuity to supplement the retirement benefits they are entitled to through the California State Teachers' Retirement System and the California Public Employees' Retirement System. The annuities offered to the employees are to be paid over a five-year period. The annuities for 62 employees who retired during the 2008-2009 school year and 26 employees who retired during the 2010-2011 school year were purchased through the Pacific Life Insurance Company. There were no early retirements during 2011-2012. As of June 30, 2012, the balance was $4,286,567.

Year Ending June 30,	Payment
2013	$ 1,533,353
2014	1,533,353
2015	753,495
2016	466,366
Total	$ 4,286,567

Accumulated Unpaid Employee Vacation

The accumulated unpaid employee vacation for the District at June 30, 2012, amounted to $1,107,591.

NOTE 9 FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Nonmajor Governmental Funds
Nonspendable			
Revolving cash	$ 30,000	$ -	$ 3,275
Stores inventories	280,614	-	290,244
Restricted			
Educational/legally restricted programs	-	-	10,406,805
Capital projects	-	14,235,111	-
Debt service	902,300	-	3,955,983
Unassigned			
Reserve for economic uncertainties	2,984,806	-	-
Unassigned	11,358,802	-	16,990,638
	$ 15,556,522	$ 14,235,111	$ 31,646,945

See also Note 1.

NOTE 10 POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefit Plan (the "Plan") is a single employer defined benefit healthcare plan administered by the El Monte Union High School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 86 retirees and beneficiaries currently receiving benefits and 892 active plan members.

Contribution information

The contribution requirements of plan members and the District are established and may be amended by the District and the Teachers Association (CTA), the local California Service Employees Association (CSEA), and unrepresented groups. Currently, the District finances its OPEB contributions using a pay-as-you-go method. The required Contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2011-2012, the District contributed $938,154 to the plan, all of which was used for current premium payments.

Annual OPEB Cost and Net OPEB Obligation

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

NOTE 10 POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION (CONTINUED)

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to th

NOTE 10 POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION (CONTINUED)

Actuarial Methods and Assumptions

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

In the July 1, 2010, actuarial valuation, the unprojected unit credit method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial nine percent to an ultimate rate of five percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2010, was 28 years. The actuarial value of assets was not determined in this actuarial

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

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

Funding Policy
Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-2012 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2012, 2011 and 2010 were $3,687,967, $3,729,356 and $3,784,160, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

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

NOTE 13 COMMITMENT AND CONTINGENCIES (CONTINUED)

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

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

Capital Projects		Remaining Construction Commitment	Expected Completion
Rosemead High School Growth	$	353,622	6/30/2013
Arroyo High School Growth		343,634	6/30/2013
New District Office		1,403,245	6/30/2013
Mountain View High School - CTE		1,598,003	6/30/2013
South El Monte High School - CTE		1,704,181	6/30/2013
South El Monte High School - Fieldhouse		6,685,199	6/30/2013
	$	12,087,884	

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

Year Ending June 30,		Payment
2013	$	151,690
2014		55,965
Total	$	207,655

Rental expenditures for the year ended June 30, 2012 amounted to $299,374.

REQUIRED SUPPLEMENTARY INFORMATION

	Original	Final	Actual (GAAP Basis)	Variances - Positive (Negative) Final to Actual
Revenues				
Revenue limit sources	$ 59,814,684	$ 57,385,863	$ 59,403,248	$ 2,017,385
Federal sources	6,028,833	8,823,484	8,023,723	(799,761)
Other state sources	23,486,479	24,765,083	19,470,364	(5,294,719)
Other local sources	5,666,103	8,717,580	7,573,144	(1,144,436)
Total revenues	94,996,099	99,692,010	94,470,479	(5,221,531)
Expenditures				
Current				
Certificated salaries	40,643,635	41,854,350	41,027,119	827,231
Classified salaries	14,428,787	14,661,074	14,615,009	46,065
Employee benefits	19,194,044	19,078,527	18,694,816	383,711
Books and supplies	3,315,007	4,896,064	3,409,089	1,486,975
Services and operating expenditures	11,080,340	13,787,471	12,939,105	848,366
Other Outgo	1,165,235	572,617	1,140,922	(568,305)
Capital Outlay	-	1,054,000	1,099,298	(45,298)
Total expenditures	89,827,048	95,904,103	92,925,358	2,978,745
Excess (Deficiency) of revenues over expenditures	5,169,051	3,787,907	1,545,121	(2,242,786)
Other financing sources (uses)				

SUPPLEMENTARY INFORMATION

Federal Grantor/Pass-Through Grantor/	CFDA Number		Pass-Through Entity Identifying Number		Program Expenditures
U.S DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed through California Department of Education					
Federal Childcare - Center Based	93.596		13609		21,119
U.S DEPARTMENT OF AGRICULTURE					
Passed through California Department of Education					
National School Lunch program	10.555	*	13396		4,278,315
Total Expenditures of Federal Awards				$	13,322,812

* Represents a Major Program

See accompanying notes to supplementary information

ORGANIZATION

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

GOVERNING BOARD

Member	Office	Term Expires
Carlos G. Salcedo	President	2013
Salvador Ramirez	Member	2013
Juanita M. Gonzalez	Member	2013
Maria Elena Talamantes	Member	2013
Theresa A. Velasco	Member	2013

ADMINISTRATION

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

	Final Report	
	Second Period Report	Annual Report
SECONDARY		
Regular class	8,688	8,691
Continuation education	302	288
Opportunity schools	33	33
Home and hospital	3	3
Community day school	38	39
Special Education	415	412
Total secondary	9,479	9,466

See accompanying notes to supplementary information

See accompanying notes to supplementary information

GENERAL FUND	(Unaudited) Budget 2013 (1)	2012	2011	2010	2009
Revenues	$ 90,680,304	$ 94,470,479	97,262,280	$ 102,866,754	$ 97,367,100
Other sources	-	-	-	2,512,467	-
Total revenues and other sources	90,680,304	94,470,479	97,262,280	105,379,221	97,367,100
Expenditures	90,998,123	92,925,358	93,259,836	89,407,510	93,496,832
Other uses and transfer out	6,036,635	6,568,162	11,563,573	10,931,723	100,426
Total expenditures and transfer out	97,034,758	99,493,520	104,823,409	100,339,233	93,597,258
Increase (decrease) in fund balance	(6,354,454)	(5,023,041)	(7,561,129)	5,039,988	3,769,842
Ending fund balance	9,040,526	15,556,522	20,579,563	25,448,158	20,408,170
Available reserves (2)	7,841,821	14,343,608	20,073,617	22,689,837	20,367,601
Available reserves as a percentage of total outgo (3)	8.1%	14.4%	19.1%	23.07%	22.30%
Long-term obligations	N/A	177,009,005	179,959,854	150,384,551	151,478,904
K-12 average daily attendance at P-2 (4)	9,427	9,479	9,676	9,744	9,804

The General Fund balance decreased by $5,023,041 during the year 2012 and decreased $12,584,170 over the last two years. The fiscal year 2012-13 budget projects a further decrease of $6,354,454 (40.8%). For a District of this size, the State recommends available reserve of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District anticipates incurring an operating deficit during fiscal year 2012-2013. Total long-term obligations have decreased by $2,950,849 because of the payment of general obligation bonds during the year.

Average daily attendance decreased by 265 over the past two years. The District expects a decrease in the ADA by 52 during the fiscal year 2012-2013.

(1) Budget 2013 is included for analytical purposes only and has not been subjected to audit.

(2) Available reserves consist of all funds reserved for economic uncertainty of $2,984,806 and the remaining $11,358,802

El Monte Union High School District
Combining Balance Sheet
Fiduciary Fund Types – Agency Funds
Year ended June 30, 2012

	Scholarship Fund	Arroyo High	El Monte High	Mountain View High	Rosemead High	South El Monte High	Total
ASSETS							
Deposits and investments	$ 150,775	$ 407,245	$ 118,574	$ 108,500	$ 199,553	$ 168,380	$ 1,153,027
LIABILITIES							
Due to student groups	$ 150,775	$ 407,245	$ 118,574	$ 108,500	$ 199,553	$ 168,380	$ 1,153,027

See accompanying notes to supplementary information

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
ASSETS					
Deposits and investments	$ 6,519,475	$ 55,002	$ 2,603,965	$ 2,543,451	$ 2,302,627
Receivables	563,780		381,071	4,327	4,334
Due from other funds	5,264,612	-	-	-	-
Store inventories	270,385	-	19,859	-	-
Total assets	12,618,252	55,002	3,004,895	2,547,778	2,306,961
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	76,205	41	338,641	25,832	74,138
Salaries and benefits payable	471,559	27,105	94,193	-	-
Total liabilities	547,764	27,146	432,834	25,832	74,138
FUND BALANCES					
Nonspendable					
Revolving cash	625	-	2,650	-	-
Stores inventories	270,385	-	19,859	-	-
Restricted					
Legally restricted programs	-	6,995	1,404,261	-	2,232,823
Debt service	-	-	-	-	-
Unassigned					
Special revenue funds	11,799,478	20,861	1,145,291	2,521,946	-
Capital projects funds	-	-	-	-	-
Total fund balance	12,070,488	27,856	2,572,061	2,521,946	2,232,823
Total liabilities and fund balance	$ 12,618,252	$ 55,002	$ 3,004,895	$ 2,547,778	$ 2,306,961

County Schools Facilities	Special Reserve Fund for Capital Outlay	Bond Interest and Redemption	Debt Service Fund for Blended Component	Total Nonmajor Governmental

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
REVENUES					
Federal sources	$ 1,087,142	$ 21,119	$ 4,038,713	$ -	$ -
Other state sources	5,387,296	40,404	350,641	-	-
Other local sources	347,379	353,762	571,269	20,210	366,679
Total revenues	6,821,817	415,285	4,960,623	20,210	366,679
EXPENDITURES					
Current					
Instruction	6,442,002	345,247	-	-	-
Instruction-related activities					
Instruction library, media and technology	23,078	-	-	-	-
School site administration	1,946,219	60,546	-	-	-
Pupil services					
Food services	-	-	4,322,495	-	-
All other pupil services	1,010,089	-	-	-	-
General administration					
All other general administration	597,650	19,993	216,199	-	-
Plant services	1,616,985	-	-	282,513	13,326
Facility acquisition and construction		-	-	5,800	31,545
Enterprise services	-	-	227,687	-	-
Debt service					
Principal	-	-	-	-	-
Interest and other	-	-	-	-	-
Total expenditures	11,636,023	425,786	4,766,381	288,313	44,871
Excess (Deficiency) of revenues over expenditures	(4,814,206)	(10,501)	194,242	(268,103)	321,808
Other financing sources (uses)					
Transfers in	7,568,162	-	-		-
Transfers out	-	-	-	-	-
Net other financing sources (uses)	7,568,162	-	-	-	-
NET CHANGE IN FUND BALANCES	2,753,956	(10,501)	194,242	(268,103)	321,808
Fund balance - beginning	9,316,532	38,357	2,377,819	2,790,049	1,911,015
Fund balance - ending	$ 12,070,488	$ 27,856	$ 2,572,061	$ 2,521,946	$ 2,232,823

County Schools Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Unit	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ 5,146,974
-	-	106,533	-	5,884,874
63,192	14,058	10,383,978	-	12,120,527
63,192	14,058	10,490,511	-	23,152,375
-	-	-	-	6,787,249
-	-	-	-	23,078
-	-	-	-	2,006,765
-	-	-	-	4,322,495
-	-	-	-	1,010,089
-	-	-	-	833,842
		-	-	1,912,824
		-	-	37,345
-	-	-	-	227,687
-	-	[illegible]	[illegible]	[illegible]

NOTE 1 PURPOSE OF SCHEDULES (CONTINUED)

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer In

INDEPENDENT AUDITORS' REPORTS

Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of

OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily 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.

<u>Schedule of Expenditures of Federal Awards</u>

We have audited the basic financial statements of the District as of and for the year ended June 30, 2012, and have issued our report thereon dated December 10, 2012. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates

Report of Independent Auditors on State Compliance

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

We have audited the compliance of El Monte Union High School District (the District) with the types of compliance requirements described in the Audit Guide, Standards and Procedures for Audits of California K-12 Local Education Agencies 2011-2012, prescribed in the California Code of Regulations, Title 5, Section 19810 and following, for the year ended June 30, 2012. Compliance with the requirements referred to above is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

Our audit was made in accordance with auditing standards generally accepted in the United States of America; the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-2012*, prescribed in the California Code of Regulations, Title 5, Section 19810 and following. Those standards and the Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-2012 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the District's State funding occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

	Procedures in Audit Guide	Procedures Performed
School Accountability Report Card	3	Yes
Public Hearing Requirement – Receipt of Funds	1	Yes
Juvenile Court Schools	8	Not Applicable
Exclusion of Pupils – Pertussis Immunization	2	Yes
Class Size Reduction Program (including in Charter Schools):		

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.287	Title IV - Part B 21st Century Community Learning Center
84.048	Career Technical Education - Basic Grants to State Cluster
84.002	Adult Basic Education
10.555	National School Lunch Program

Dollar threshold used to distinguish between Type A and Type B programs	$399,684
Auditee qualified as a low-risk auditee	Yes

None reported.

Finding # 12-01 – Controls over Subrecipient Monitoring

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

Criteria

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

(1) Monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws,regulations, and the provisions of contracts or grant agreements and that performance goals are achieved;

(2) Follow-up to ensure corrective action on deficiencies noted during-award monitoring;

(3) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action;

Condition

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

Questioned Costs

N/A

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Action

The District concurs with the audit finding. The After School Safety and Enrichment Grant expired on December 31, 2012. The District's Superintendent served and continues to serve on the ASSET (now LEARN) Board. The District has a copy of the minutes for all the ASSET/LEARN Board meetings. The finding above relates to the District obtaining and reviewing LEARN's financial statements. This is the only pass thru grant the District has had in the past several years. Moving forward, as a matter of procedure, if the District receives any pass thru grant whatsoever, the District will request the entities' financial statements on an annual basis to be in compliance with OMB Circular A-133.

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

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

Criteria

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

Federal procurement standard 44 CFR 13 requires all procurement transactions

Effect

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Action

The District concurs with the audit finding. The District did not have access the Excluded Parties List System to ensure selected vendors were not on the disbarred list. The District has obtained access and will begin reviewing the list to check vendors and share this information with the San Gabriel Valley Purchasing Cooperative.

The District purchasing manual was approved during the 2011-2012 school year, which states a district policy requiring three quotes. The open purchase order for maintainance and repairs had been set up prior to the issuance of the manual. Since most repairs are for emergencies, there is limited time to obtain three quotes, and thus have at least one open purchase order with a qualified vendor is necessary.

Prior to the start of the next fiscal year, the District will obtain three quotes for hourly repair service before selecting a vendor to set up an open purchase order.

In regards to the second finding, this vendor is a sole source, and this vendor is trained to use the hardware and software which supports the operations. Additionally, they have access to the software and assist staff with reports and programming equipment.

None reported.

There were no audit findings reported in prior year's report.

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

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities and each major fund, for El Monte Union High School District (the District) as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted during our audit that we consider important enough to bring to your attention. Most of these items were findings in the prior year also. This letter does not affect our report dated December 11, 2012, on the financial statements of El Monte Union High School District.

The following summarizes our comments and suggestions regarding those matters.

1. **South El Monte High School**

   Criteria and Observations
   ASB funds are to be used to purchase goods and services that promote the general welfare, morale and educational experiences of the students. In gener

Recommendations

- ASB transactions should be used only for the allowed activities which are for the benefit of the students. All payments made for ASB should have proper business rationale and be within the constraints of California Laws.

- All payments should be properly approved and accompanied by all the supporting documents at the time of approval.

2. Rosemead High School

Criteria and Observation

During our review of the ASB's procedures over cash receipts, we noted instances where cash received took up to fifteen (15) days to be deposited in the bank. This is more than the stipulated policy of one week.

Recommendation

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

3. ASB Staff Training

Observation

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

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

Recommendation

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

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

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

Vasquez & Company LLP

Los Angeles, California
December 11, 2012