

NEW ISSUE  
DTC BOOK-ENTRY ONLY  
BANK QUALIFIED

S&P Rating: “AA-”  
See “RATING” herein

*In the opinion of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, Bond Counsel, based upon an analysis of existing statutes, regulations, rulings, and court decisions and assuming, among other things, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations nor is such interest taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See “LEGAL MATTERS—Tax Matters” herein.*



**\$17,300,000**  
**EL DORADO UNION HIGH SCHOOL DISTRICT**  
**(EL DORADO COUNTY, CALIFORNIA)**  
**GENERAL OBLIGATION BONDS**  
**ELECTION OF 2008, SERIES 2010**  
**(BANK QUALIFIED)**

**DATED: Date of Delivery**

**DUE: August 1, as shown below**

*The El Dorado Union High School District (El Dorado County, California) General Obligation Bonds, Election of 2008, Series 2010 (Bank Qualified) (the “Bonds”) in the aggregate principal amount of \$17,300,000 are being issued in order to raise money for authorized school purposes. See “THE BONDS—General Obligation Bond Election of 2008” herein.*

*The Board of Supervisors of El Dorado County is empowered and obligated to annually levy and collect ad valorem property taxes without limitation as to rate or amount on all taxable property in the El Dorado Union High School District (except for certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Bonds. See “SECURITY AND SOURCE OF PAYMENT” herein.*

*The Bonds are being issued as fully registered bonds, without coupons, and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry-only form and only in authorized denominations, as described in this Official Statement. So long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds will be payable to Cede & Co., as nominee for DTC, which is obligated to remit such amounts to the DTC Participants for subsequent disbursement to the Owners of the Bonds. See “THE BONDS—DTC Book-Entry Only” herein.*

*Interest on the Bonds is first payable on August 1, 2011, and semiannually thereafter on February 1 and August 1 of each year. The Bonds are subject to redemption prior to maturity. See “THE BONDS—Redemption Provisions” herein.*

*THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT INTENDED TO BE A SUMMARY OF ALL FACTORS RELEVANT TO AN INVESTMENT IN THE BONDS. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION. CAPITALIZED TERMS USED ON THIS COVER PAGE NOT OTHERWISE DEFINED WILL HAVE THE MEANINGS SET FORTH HEREIN.*

**MATURITY SCHEDULE**

Maturity Date August 1	Principal Amount	Coupon Interest Rate	Reoffering Yield	Maturity Date August 1	Principal Amount	Coupon Interest Rate	Reoffering Yield
2011	\$680,000	2.000%	0.580%	2022	\$145,000	4.000%	3.570% C
2012	400,000	2.000	0.830	2023	185,000	4.000	3.800 C
2013	25,000	2.000	1.060	2024	280,000	4.000	3.910 C
2014	10,000	2.000	1.430	2025	325,000	3.750	3.950
2015	10,000	2.000	1.860	2026	370,000	4.000	4.000
2016	10,000	2.500	2.230	2027	420,000	4.100	4.100
2017	515,000	3.000	2.500	2028	475,000	4.250	4.250
2018	655,000	3.000	2.710	2029	530,000	4.300	4.300
2019	30,000	3.000	2.900	2030	600,000	4.375	4.375
2020	80,000	3.000	3.080	2031	665,000	4.400	4.450
2021	90,000	4.000	3.340 C	2032	780,000	4.500	4.500

\$10,020,000 5.000% Term Bond due August 1, 2035; Yield 4.500% C

*The Bonds are being purchased for reoffering by Robert W. Baird & Co., Inc. as Underwriter of the Bonds. The Bonds are offered when, as and if issued by the District and received by the Underwriter, subject to approval as to legality by Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, Bond Counsel. It is anticipated that the Bonds, in definitive form, will be available for delivery through the facilities of DTC in New York, New York on or about August 4, 2010.*

This Official Statement is dated July 21, 2010

C: Yield to par call on August 1, 2020.

THIS OFFICIAL STATEMENT IS SUBMITTED WITH RESPECT TO THE SALE OF THE BONDS REFERRED TO HEREIN AND MAY NOT BE REPRODUCED OR USED, IN WHOLE OR IN PART, FOR ANY OTHER PURPOSE. THIS OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT WITH THE PURCHASERS OF THE BONDS.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, IN RELIANCE UPON EXCEPTIONS THEREIN FOR THE ISSUANCE AND SALE OF MUNICIPAL SECURITIES. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAW OF ANY STATE.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL NOR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE BONDS BY A PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE AN OFFER, SOLICITATION OR SALE.

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE DISTRICT TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED HEREIN, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE DISTRICT.

THE INFORMATION SET FORTH HEREIN HAS BEEN FURNISHED BY THE DISTRICT AND OTHER SOURCES THAT ARE BELIEVED TO BE RELIABLE, BUT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE DISTRICT SINCE THE DATE HEREOF.

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS OFFICIAL STATEMENT CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE UNITED STATES PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995, SECTION 21E OF THE UNITED STATES SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AND SECTION 27A OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY THE TERMINOLOGY USED SUCH AS "PLAN," "EXPECT," "ESTIMATE," "PROJECT," "BUDGET" OR SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED CHANGE.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS, BANKS OR OTHERS AT PRICES LOWER OR HIGHER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER

## CUSIP\* Numbers

Maturity Date August 1	CUSIP Number	Maturity Date August 1	CUSIP Number
2011	283065FL9	-	-
2012	283065FM7	2023	283065FY1
2013	283065FN5	2024	283065FZ8
2014	283065FP0	2025	283065GA2
2015	283065FQ8	2026	283065GB0
2016	283065FR6	2027	283065GC8
2017	283065FS4	2028	283065GD6
2018	283065FT2	2029	283065GE4
2019	283065FU9	2030	283065GF1
2020	283065FV7	2031	283065GH7
2021	283065FW5	2032	283065GJ3
2022	283065FX3	2035	283065GG9

\* CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. The District and the Underwriter make no representation as to the accuracy or completeness of such information.

\$17,300,000  
EL DORADO UNION HIGH SCHOOL DISTRICT  
(EL DORADO COUNTY, CALIFORNIA)  
GENERAL OBLIGATION BONDS, ELECTION OF 2008, SERIES 2010

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BOARD OF TRUSTEES

Mary T. Muse, President  
Lori M. Veerkamp, Clerk  
Timothy M. Cary, Trustee  
Kirby L. Ehler, Trustee  
Madeline T. Restaino, Trustee

DISTRICT ADMINISTRATION

Sherry J. Smith, Superintendent  
Stephen Luhrs, Associate Superintendent, Business Services  
Christopher Hoffman, Associate Superintendent, Educational Services & Testing  
Stevie Clark, Associate Superintendent, Human Resources  
Steven Volmer, Assistant Superintendent, Student Services

El Dorado Union High School District  
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Placerville, California 95667  
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PAYING AGENT

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San Francisco, California 94105  
(415) 371-3357

\$17,300,000  
EL DORADO UNION HIGH SCHOOL DISTRICT  
(EL DORADO COUNTY, CALIFORNIA)  
GENERAL OBLIGATION BONDS, ELECTION OF 2008, SERIES 2010

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# OFFICIAL STATEMENT

\$17,300,000

## EL DORADO UNION HIGH SCHOOL DISTRICT (EL DORADO COUNTY, CALIFORNIA) GENERAL OBLIGATION BONDS, ELECTION OF 2008, SERIES 2010

### INTRODUCTORY STATEMENT

*The purpose of this Official Statement is to provide certain information concerning the sale and delivery of the El Dorado Union High School District (El Dorado County, California) General Obligation Bonds, Election of 2008, Series 2010 (the "Bonds") being issued in order to raise money for authorized school purposes.*

*This INTRODUCTORY STATEMENT is not a summary of this Official Statement. It is only a brief description of and guide to this Official Statement. This INTRODUCTORY STATEMENT is qualified by more complete and detailed information contained in the entire Official Statement and the documents summarized or described herein. A full review should be made of the entire Official Statement by prospective investors in the Bonds. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.*

#### Authority for Issuance

The Bonds represent the second series of bonds authorized at an election held in the El Dorado Union High School District (the "District") on June 3, 2008. The Bonds are being issued by the District under and pursuant to the provisions of Title 1, Division 1, Part 10, Chapter 1.5 of the State of California Education Code, commencing with Section 15264, and all laws amendatory thereof or supplemental thereto insofar as they govern, the provisions of a resolution adopted by the board of trustees of the District (the "Board") on May 11, 2010, and pursuant to a paying agent agreement dated September 1, 2008, between the District and Wells Fargo Bank, National Association (the "Paying Agent"), as amended by a supplemental paying agent agreement dated August 1, 2010 (the "Paying Agent Agreement").

The Bonds were authorized by the voters of the District pursuant to provisions of the Constitution of the State of California affected by Proposition 39, the initiative passed by voters in November 2000, permitting approval of certain general obligation bonds of school and community college districts by a 55% vote. See "CONSTITUTIONAL & STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES & EXPENDITURES" herein.

#### The District

The District is a political subdivision of the State of California and is governed by a five-member Board. The District provides public education for grades 9-12. The District's boundaries cover an area of approximately 1,200 square miles, which area includes the city of Placerville and unincorporated areas within El Dorado County (the "County"). See "THE DISTRICT" herein.

### Purpose of the Bonds

The proceeds of the Bonds are authorized to be used by the District to improve student safety and the quality of education at every school by repairing, updating, constructing, furnishing and equipping school facilities and to become eligible for millions in State matching funds.

### Source of Payment for the Bonds

The governing board of the County (the "County Board of Supervisors") is empowered and obligated to annually levy and collect *ad valorem* property taxes, without limitation as to rate or amount, on all taxable property in the District (except for certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT" herein.

### Description of the Bonds

The Bonds will be dated their date of delivery and will be issued as fully registered Bonds, without coupons, in denominations of \$5,000 or any integral multiple thereof. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC").

The Bonds mature on August 1 in each of the years and in the amounts set forth herein. Interest with respect to the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2011. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. See "THE BONDS" herein.

### The Bonds Designated as Bank Qualified Obligations

The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

### Continuing Disclosure

The District will covenant for the benefit of the registered owners of the Bonds (the "Owners") to make available, upon request, certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events, if material, in compliance with S.E.C. Rule 15c2-12(b)(5). The specific nature of the information to be made available and of the notices of material events is set forth in "APPENDIX B – FORM OF CONTINUING DISCLOSURE CERTIFICATE". See also "CONTINUING DISCLOSURE" herein.

### Professionals Involved

Government Financial Strategies inc., Sacramento, California has acted as financial advisor with respect to the sale and delivery of the Bonds. See "FINANCIAL ADVISOR" herein. All proceedings in connection with the sale and delivery of the Bonds are subject to the approving legal opinion of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, Bond Counsel to the District with respect to the Bonds ("Bond Counsel"). Wells Fargo Bank, National Association will act as paying agent with respect to the Bonds. Bond Counsel and the Paying Agent will receive compensation from the District contingent upon the sale and delivery of the Bonds.

### Other Information

This Official Statement may be considered current only as of its date that has been made a part of the cover page hereof, and the information contained herein is subject to change. A description of the Bonds and the District, together with summaries of certain provisions of the Resolution and other legal documents related to the Bonds, are included in this Official Statement. Such summaries do not purport to be comprehensive or definitive, and are qualified in their entirety by reference to such documents.

Interested parties may obtain copies of the Paying Agent Agreement, audited financial statements, annual budget, or any other information which is generally made available to the public by contacting the District through the Associate Superintendent, Business Services at the address and telephone set forth on page “iv” of this Official Statement, or by contacting Government Financial Strategies inc., the District’s financial advisor, at the address and telephone set forth on page “iv” of this Official Statement.

THE BONDS

General Obligation Bond Election of 2008

Pursuant to provisions of the State of California Education Code and the State of California Elections Code (collectively, the “Law”), the Board adopted Resolution No. 2007-08-25 on January 29, 2008 calling for an election to authorize the issuance of \$66,300,000 aggregate principal amount of general obligation bonds for certain school purposes. For a more detailed description of the projects to be funded by the Bonds, see “APPENDIX E – BOND PROJECT LIST” herein.

On June 3, 2008, at an election duly held pursuant to the Law, more than 55% of the qualified voters within the boundaries of the District voted to approve “Measure Q,” as follows:

*“To improve student safety and the quality of education at every school by repairing, updating, constructing, furnishing and equipping school facilities, including technology, job training, science and health facilities, roofs, electrical, plumbing and heating systems, and become eligible for millions in state matching funds, shall the El Dorado Union High School District issue \$66,300,000 in bonds at legal rates? The Board will appoint a citizens’ oversight committee, conduct annual independent audits, and spend funds only on school and classroom improvements.”*

The Registrar of Voters of the County certified the results of the election as follows:

Results of June 3, 2008 Municipal Bond Election  
El Dorado Union High School District

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	Yes	No	Total
Total Votes Cast	19,536	15,204	34,740
Percentage	56.2%	43.8%	100.0%

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Source: Registrar of Voters, El Dorado County, California

The Bonds represent the second and third series of bonds to be issued under Measure Q.

Form and Registration

The Bonds will be issued as fully registered bonds, without coupons, in denominations of \$5,000 or any integral multiple thereof. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of DTC. Owners will not receive physical certificates representing their interest in the Bonds. Payments of principal of and interest on the Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants (defined herein) which will remit such payments to the Owners of the Bonds. See “THE BONDS—DTC Book-Entry System” herein.

Payment of Principal and Interest

The Bonds will be dated as of their date of delivery and bear interest at the rates set forth on the inside cover page hereof on February 1 and August 1 of each year, commencing on August 1, 2011 (each, an “Interest Payment Date”), computed using a year of 360 days comprising twelve 30-day months.

The principal of the Bonds are payable to the Owner thereof upon surrender thereof in lawful money of the United States of America at the Paying Agent's Office or by wire transfer to DTC.

Payment of interest on any Bond on each Interest Payment Date (or on the following business day, if the Interest Payment Date does not fall on a business day) will be made to the Owner as of the preceding Record Date (the fifteenth day of the calendar month immediately preceding the relevant Interest Payment Date), such interest to be paid by check or draft mailed to such Owner at such Owner's address as it appears on such registration books or at such other address as the Owner may have filed with the Paying Agent for that purpose on or before the Record Date. The Owner of an aggregate principal amount of \$1,000,000 or more of Bonds may request in writing to the Paying Agent to be paid interest by wire transfer to the Owner's bank and account number on file with the Paying Agent as of the applicable Record Date.

As long as DTC, or Cede & Co., as its nominee, is the registered owner of all the Bonds, principal and interest payments on the Bonds will be paid in lawful money of the United States of America by the Paying Agent to DTC, and disbursement of such payments to the DTC Participants will be the responsibility of DTC, and disbursement of such payments to the Owners will be the responsibility of the DTC Participants. See "THE BONDS—DTC Book-Entry Only" herein.

The District has requested the County to establish and maintain a fund separate and distinct from all other District and County funds and has directed the treasurer-tax collector of the County (the "Treasurer") to deposit therein the taxes levied and collected by the County pursuant to Education Code Section 15250 (the "Tax Collection Fund"). All moneys at any time held in the Tax Collection Fund will be held for the benefit of the Owners of the Bonds and shall be disbursed, allocated, and applied solely for the payment of the Bonds.

#### Registration, Transfer and Exchange

In the event that DTC is no longer used with respect to the Bonds, the following provisions will govern the payment of principal of and interest on, and the registration, transfer, and exchange of, the Bonds.

*Bond Register.* The Paying Agent will keep or cause to be kept, at the Paying Agent's Office, a register (herein sometimes referred to as the "Bond Register") in which, subject to such reasonable regulations as it may prescribe, the Paying Agent shall provide for the registration and transfer of Bonds. The Bond Register shall at all times be open to inspection during the Paying Agent's normal business hours by the District.

*Transfer and Exchange.* Upon surrender of a Bond for transfer at the Paying Agent's Office, the District will execute and, if required, the Paying Agent will authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of the same series, tenor, and maturity and for an equivalent aggregate principal amount.

Bonds may be exchanged for an equivalent aggregate principal amount of Bonds of other authorized denominations, tenor, and maturity, upon surrender of the Bonds for exchange at the Paying Agent's Office. Upon surrender of Bonds for exchange, the District will execute and, if required, the Paying Agent will authenticate and deliver the Bonds that the Bondholder making the exchange is entitled to receive.

All Bonds surrendered upon any exchange or transfer provided for in this Paying Agent Agreement will be promptly cancelled by the Paying Agent and thereafter disposed of. All Bonds issued upon any transfer or exchange of Bonds will be the valid obligations of the District, evidencing the same debt, and entitled to the same security and benefits under the Paying Agent Agreement, as the Bonds surrendered upon such transfer or exchange. Every Bond presented or surrendered for transfer or exchange will be accompanied by a written instrument of transfer, in a form satisfactory to the Paying Agent, that is duly executed by the Owner or by his attorney duly authorized in writing.

All fees and costs of any transfer or exchange of Bonds must be paid by the bondholder requesting such transfer or exchange.

The Paying Agent will not be required to transfer or exchange (i) Bonds during the period established by the Paying Agent for the selection of Bonds for redemption or (ii) any Bond that has been selected for redemption in whole or in part, except the unredeemed portion of such Bond selected for redemption in part, from and after the day that such Bond has been selected for redemption in whole or in part.

*Limitations on Transfer.* Registered ownership of the Bonds, or any portions thereof, may not be transferred except:

- (1) to any successor of DTC or its nominee, or to a substitute depository, provided that any successor of DTC or substitute depository will be qualified under any applicable laws to provide the service proposed to be provided by it;
- (2) to any substitute depository not objected to by the Paying Agent, upon (a) the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository, or (b) a determination by the District that DTC or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

#### Redemption Provisions

*Optional Redemption.* The Bonds maturing on or after August 1, 2021, are subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part (by such maturities as may be specified by the District and at random within a maturity), on any date on or after August 1, 2020, at a redemption price equal to the principal amount of the Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

### Optional Redemption Price Schedule

100% if redeemed on August 1, 2020 or thereafter.

*Mandatory Sinking Fund Redemption.* The Bonds maturing by their terms on August 1, 2035 (the “Term Bonds”), are subject to mandatory sinking fund redemption by the District prior to their maturity in part, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, if any, without premium, solely from mandatory sinking fund payments on each August 1 specified in the table below, but which amounts will be reduced proportionately by the principal amount of all such Term Bonds optionally redeemed.

### Mandatory Sinking Fund Redemption Schedule El Dorado Union High School District General Obligation Bonds, Election of 2008, Series 2010

Year Ending August 1	Sinking Fund Amount
2033	\$ 850,000
2034	\$ 4,500,000
2035*	\$ 4,670,000

\*Indicates maturity date of the \$10,020,000 Term Bonds due August 1, 2035.

*Selection of Bonds for Redemption.* If less than all the outstanding Bonds of any maturity are to be redeemed, not more than 60 days prior to the redemption date the Paying Agent will select the particular Bonds to be redeemed from the outstanding Bonds of such maturity that have not previously been called for redemption, in minimum denomination amounts of \$5,000, at random. For purposes of such selection, each \$5,000 denomination will be deemed to be a separate Bond. With respect to any maturity of Bonds less than all of which maturity will be redeemed, the Paying Agent will promptly notify the District in writing of the Bonds of that maturity selected for redemption and, in the case of a Bond selected for partial redemption, the principal amount thereof to be redeemed.

*Notice of Redemption.* The Paying Agent will mail notice of redemption not fewer than 30 nor more than 60 days prior to the redemption date by first-class mail, postage prepaid, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Bond Register of the Paying Agent.

Each notice of redemption will state (a) the date of such notice, (b) the series designation of the Bonds, (c) the date of issue of the series of Bonds, (d) the redemption date, (e) the redemption price, (f) the place or places of redemption (including the name and appropriate address or addresses of the Paying Agent), (g) the CUSIP number (if any) of the maturity or maturities, and (h) if less than all of any such maturity, the distinctive certificate numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the Bonds thereof to be redeemed. Each such notice will also (a) state that on said date there will become due and payable on each of said Bonds the redemption price thereof or of said specified portion of the Bonds thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, (b) state that from and after such redemption date interest thereon will cease to accrue, and

(c) require that such Bonds be then surrendered at the address or addresses of the Paying Agent specified in the redemption notice.

Neither the District nor the Paying Agent shall have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the District nor the Paying Agent shall be liable for any inaccuracy in such numbers. Failure by the Paying Agent to give notice to information service agencies or securities depositories or failure of any Owner to receive notice or any defect in any such notice shall not affect the sufficiency of the proceedings for redemption. Failure by the Paying Agent to mail notice to any one or more of the respective Owners of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Owner or Owners to whom such notice was mailed.

*Effect of Redemption.* When notice of redemption has been given substantially as provided for in the Paying Agent Agreement, and when the redemption price of the Bonds called for redemption is set aside for the purpose as described in the Paying Agent Agreement, on the redemption date designated in such notice (a) the Bonds to be redeemed will become due and payable at the redemption price specified in such notice, (b) interest on such Bonds shall cease to accrue, (c) such Bonds shall cease to be entitled to any benefit or security under this Paying Agent Agreement, and (d) the Owners of such Bonds shall have no rights in respect thereof except to receive payment of said redemption price. Upon surrender of any such Bond for redemption in accordance with the notice, such Bond will be paid by Paying Agent at the redemption price.

#### Defeasance of Bonds

Upon the deposit with the Paying Agent, escrow agent, or other fiduciary, at or before maturity, of money or securities in the necessary amount to pay or redeem any outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption will have been given, then all liability of the District in respect of such Bond will cease, terminate, and be completely discharged, except that thereafter:

(1) the Owner thereof will be entitled to payment of the Bond or the redemption price of and interest on such Bond by the District and the District will remain liable for such payment, but only out of such money or securities deposited with the Paying Agent, escrow agent, or other fiduciary as aforesaid for their payment, and

(2) the Owner thereof will retain its rights of transfer or exchange of Bonds as provided in the Paying Agent Agreement.

#### Unclaimed Moneys

All moneys held by or on behalf of the Paying Agent for the payment of principal or interest or premium on Bonds, whether at redemption or maturity, will be held for the account of the Owners thereof and the Paying Agent shall not be required to pay Owners any interest on, or be liable to the Owners or any other person for any interest earned on, moneys so held. Subject to applicable escheatment laws, any moneys held by the Paying Agent for the payment of the Bond redemption price of, or interest on, any Bonds and remaining unclaimed for two years after the date when such Bonds have become due and payable (whether at maturity or upon call for redemption), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after the date when such Bonds became due and payable, will be repaid to the District.

#### DTC Book-Entry Only

*The following information concerning DTC and DTC's book-entry-only system has been provided by DTC for use in securities disclosure documents. The District takes no responsibility for the accuracy or completeness thereof. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.*

*The following description includes the procedures and record-keeping with respect to ownership interests in the Bonds, payment of principal and interest, other payments with respect to the Bonds to Direct Participants or Owners, confirmation and transfer of ownership interests in such Bonds, notices to Owners and other related transactions by and between DTC, the participants, and the Owners. However, DTC, the participants, and the Owners should not rely on the following information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be.*

DTC, New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized

representative of DTC. One fully-registered Security certificate will be issued for the Bonds in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all the Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing

instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

Sources and Uses of Funds

Set forth in the following table are the sources and expected uses of proceeds of sale of the Bonds.

**Sources and Uses of Funds Schedule  
El Dorado Union High School District**

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SOURCES OF FUNDS	
Par Amount of Bonds	\$17,300,000.00
Original Issue Premium	<u>452,574.90</u>
TOTAL SOURCES OF FUNDS	\$17,752,574.90
USES OF FUNDS	
Building Fund	\$17,300,000.00
Underwriter's Discount <sup>1</sup>	242,745.24
Tax Collection Fund	<u>209,829.66</u>
TOTAL USES OF FUNDS	\$17,752,574.90

<sup>1</sup> Certain costs of issuance including fees and expenses of bond counsel, financial advisor, rating agency, and other expenses related to the issuance of the Bonds are being paid by the Underwriter out of Underwriter’s gross compensation.

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## Debt Service Schedules

Scheduled debt service on the Bonds (without regard to optional redemption) is shown on the following table.

### El Dorado Union High School District General Obligation Bonds, Election of 2008, Series 2010

Date	Principal Amount	Interest	Semi-Annual Debt Service	Annual Debt Service
August 1, 2011	\$680,000.00	\$761,545.46	\$1,441,545.46	\$1,441,545.46
February 1, 2012		377,172.50	377,172.50	
August 1, 2012	400,000.00	377,172.50	777,172.50	1,154,345.00
February 1, 2013		373,172.50	373,172.50	
August 1, 2013	25,000.00	373,172.50	398,172.50	771,345.00
February 1, 2014		372,922.50	372,922.50	
August 1, 2014	10,000.00	372,922.50	382,922.50	755,845.00
February 1, 2015		372,822.50	372,822.50	
August 1, 2015	10,000.00	372,822.50	382,822.50	755,645.00
February 1, 2016		372,722.50	372,722.50	
August 1, 2016	10,000.00	372,722.50	382,722.50	755,445.00
February 1, 2017		372,597.50	372,597.50	
August 1, 2017	515,000.00	372,597.50	887,597.50	1,260,195.00
February 1, 2018		364,872.50	364,872.50	
August 1, 2018	655,000.00	364,872.50	1,019,872.50	1,384,745.00
February 1, 2019		355,047.50	355,047.50	
August 1, 2019	30,000.00	355,047.50	385,047.50	740,095.00
February 1, 2020		354,597.50	354,597.50	
August 1, 2020	80,000.00	354,597.50	434,597.50	789,195.00
February 1, 2021		353,397.50	353,397.50	
August 1, 2021	90,000.00	353,397.50	443,397.50	796,795.00
February 1, 2022		351,597.50	351,597.50	
August 1, 2022	145,000.00	351,597.50	496,597.50	848,195.00
February 1, 2023		348,697.50	348,697.50	
August 1, 2023	185,000.00	348,697.50	533,697.50	882,395.00
February 1, 2024		344,997.50	344,997.50	
August 1, 2024	280,000.00	344,997.50	624,997.50	969,995.00
February 1, 2025		339,397.50	339,397.50	
August 1, 2025	325,000.00	339,397.50	664,397.50	1,003,795.00
February 1, 2026		333,303.75	333,303.75	
August 1, 2026	370,000.00	333,303.75	703,303.75	1,036,607.50
February 1, 2027		325,903.75	325,903.75	
August 1, 2027	420,000.00	325,903.75	745,903.75	1,071,807.50
February 1, 2028		317,293.75	317,293.75	
August 1, 2028	475,000.00	317,293.75	792,293.75	1,109,587.50
February 1, 2029		307,200.00	307,200.00	
August 1, 2029	530,000.00	307,200.00	837,200.00	1,144,400.00
February 1, 2030		295,805.00	295,805.00	
August 1, 2030	600,000.00	295,805.00	895,805.00	1,191,610.00
February 1, 2031		282,680.00	282,680.00	
August 1, 2031	665,000.00	282,680.00	947,680.00	1,230,360.00
February 1, 2032		268,050.00	268,050.00	
August 1, 2032	780,000.00	268,050.00	1,048,050.00	1,316,100.00
February 1, 2033		250,500.00	250,500.00	
August 1, 2033	850,000.00 *	250,500.00	1,100,500.00	1,351,000.00
February 1, 2034		229,250.00	229,250.00	
August 1, 2034	4,500,000.00 *	229,250.00	4,729,250.00	4,958,500.00
February 1, 2035		116,750.00	116,750.00	
August 1, 2035	4,670,000.00 *	116,750.00	4,786,750.00	4,903,500.00
Total	\$17,300,000.00	\$16,323,047.96	\$33,623,047.96	\$33,623,047.96

\* Indicates mandatory sinking fund payments of the \$10,020,000 Term Bonds due August 1, 2035.

Upon issuance of the Bonds, scheduled debt service (without regard to optional redemption) on the District's outstanding general obligation bond debt will be as shown in the following table. See "DISTRICT FINANCIAL INFORMATION – Long Term Borrowings" for more information on the District's outstanding bonded debt.

### Outstanding General Obligation Bond Debt El Dorado Union High School District

Bond Year Ending August 1	Debt Service of Outstanding Bonds	Debt Service of The Bonds	Total Debt Service
2010	\$4,186,063	-	\$4,186,063
2011	2,605,863	\$1,441,545	4,047,408
2012	2,604,113	1,154,345	3,758,458
2013	2,834,900	771,345	3,606,245
2014	2,903,000	755,845	3,658,845
2015	2,979,950	755,645	3,735,595
2016	3,072,050	755,445	3,827,495
2017	2,515,950	1,260,195	3,776,145
2018	2,512,200	1,384,745	3,896,945
2019	3,325,000	740,095	4,065,095
2020	3,397,600	789,195	4,186,795
2021	3,480,750	796,795	4,277,545
2022	3,570,800	848,195	4,418,995
2023	2,775,763	882,395	3,658,158
2024	2,592,550	969,995	3,562,545
2025	2,699,225	1,003,795	3,703,020
2026	2,813,675	1,036,608	3,850,283
2027	2,927,956	1,071,808	3,999,764
2028	3,046,156	1,109,588	4,155,744
2029	3,174,906	1,144,400	4,319,306
2030	3,298,306	1,191,610	4,489,916
2031	3,437,738	1,230,360	4,668,098
2032	3,534,913	1,316,100	4,851,013
2033	3,687,200	1,351,000	5,038,200
2034	-	4,958,500	4,958,500
2035	-	4,903,500	4,903,500
Total	\$73,976,625	\$33,623,048	\$107,599,673

#### EL DORADO COUNTY TREASURY POOL

*This section provides a general description of the County's investment policy, current portfolio holdings, and valuation procedures. Certain information has been obtained from the County for inclusion in this Official Statement. The District makes no representation as to the accuracy or completeness of such information. Further information may be obtained by contacting the Treasurer at (530) 621-5800.*

The Treasurer manages the County Pool in which certain funds of the County and certain funds of other participating entities are invested pending disbursement. Amounts held for the County, school districts and special districts located within the County constitute all of the County Pool. The Treasurer is the *ex officio* treasurer of each of these participating entities, which therefore are legally required to deposit their cash receipts and revenues in the County treasury. The governing board of each school district and special district within the County may allow, by appropriate board resolutions, certain withdrawals of non-operating funds for purposes of investing outside the County Pool.

Funds held in the County Pool are invested by the Treasurer in accordance with State law and the El Dorado County Pooled Investments Statement of Investment Policy (the "Investment Policy") which is prepared by the Treasurer and approved by the County Board of Supervisors. The County Board of Supervisors adopted the current Investment Policy on January 12, 2010, a copy of which is attached hereto as "APPENDIX D." The policy statement sets forth the Treasurer's investment objectives: safety of principal, liquidity, public trust, and yield. In addition, the Investment Policy describes the instruments eligible for inclusion in the investment portfolio and the limitations applicable to each type. A policy oversight committee regularly monitors the investment activity of the County Pool.

As of June 30, 2010, the effective rate of return of investments in the County Pool (fiscal year to date) was 0.45%. A summary description of the composition and book value of the County Pool as of June 30, 2010 is provided below.

### Summary of the County Pool as of June 30, 2010 El Dorado County

<u>Investments</u>	<u>Book Value</u>	<u>% of Portfolio</u>	<u>Term</u>	<u>Days to Maturity</u>	<u>Yield to Maturity</u>
State Local Agency Investment Fund	\$48,500,000.00	10.89%	1	1	0.552%
Treasury Securities - Coupon	79,081,472.12	17.75%	593	480	0.700%
Treasury Securities - Discount	199,391,195.78	44.76%	114	60	0.148%
Certificates of Deposit - Bank	76,762,393.00	17.23%	105	60	0.327%
Certificates of Deposit - S&L	199,205.00	0.04%	550	236	1.590%
Bankers Acceptances	28,371,712.89	6.37%	83	51	0.414%
Medium Term Note - TLGP - Coupon	<u>13,154,591.64</u>	<u>2.95%</u>	<u>638</u>	<u>300</u>	<u>1.060%</u>
Total	\$445,460,570.43	100.00%	199	135	0.365%

Source: El Dorado County Treasurer and Tax Collector

### SECURITY AND SOURCE OF PAYMENT

#### General

In order to provide sufficient funds for repayment of principal and interest when due on the Bonds, the County Board of Supervisors is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District. When collected, the tax revenues are deposited in the District's Tax Collection Fund, which is required to be maintained by the County and to be used solely for debt service on bonds of the District.

#### Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total net assessed value of taxable property in the District. School districts levy property taxes for payment of voter-approved bonds and receive property taxes for general operating purposes as well.

Local property taxation is the responsibility of various county officers. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the net assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county treasurer-tax collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the county treasurer-tax collector, as *ex officio* treasurer of each school district located in the county, holds and invests school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on such bonds when due. Taxes on property in a school district whose boundaries extend into more than one county are

administered separately by the county in which the property is located (the District is located solely in El Dorado County). The State Board of Equalization also assesses certain special classes of property, as described later in this section.

#### Assessed Valuation of Property Within the District

All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Although most taxable property is assessed by the assessor of the county in which the property is located, some special classes of property are assessed by the State Board of Equalization, as described below under the heading, “State-Assessed Property”.

Under Proposition 13, an amendment to the California Constitution adopted in 1978, the county assessor’s valuation of real property is established as shown on the fiscal year 1975-76 tax bill, or, thereafter, as the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. Assessed value of property may be increased annually to reflect inflation at a rate not to exceed 2% per year, or reduced to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or in the event of declining property value caused by substantial damage, destruction, market forces or other factors. As a result of these rules, real property that has been owned by the same taxpayer for many years can have an assessed value that is much lower than the market value of the property and of similar properties more recently sold. Likewise, changes in ownership of property and reassessment of such property to market value commonly lead to increases in aggregate assessed value even when the rate of inflation or consumer price index would not permit the full 2% increase on any property that has not changed ownership. See “CONSTITUTIONAL & STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES & EXPENDITURES.”

*Appeals of Assessed Valuation.* State law affords an appeal procedure to taxpayers who disagree with the assessed value of their taxable property. Taxpayers may request a reduction in assessment directly from the county assessor, who may grant or refuse the request, and may appeal an assessment directly to the county board of equalization, which rules on appealed assessments whether or not settled by the county assessor. The county assessor is also authorized to reduce the assessed value of any taxable property upon a determination that the market value has declined below the then-current assessment, whether or not appealed by the taxpayer.

The District can make no predictions as to the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding bonds) may be paid. Any refund of paid taxes triggered by a successful assessment appeal will be debited by the respective county treasurer/tax collector against all taxing agencies who received tax revenues, including the District.

*State-Assessed Property.* Under the Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in the county, including school districts. Taxation by the local county tax officials is in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property’s value will no longer be divided among taxing jurisdictions in the County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect: generally reducing the assessed value in the District, as the value is shared among the other jurisdictions in the County. The District is unable to predict future transfers of State-assessed property in the District and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State’s methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

Locally taxed property is classified either as “secured” or “unsecured,” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed property and property (real or

personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is “unsecured,” and is assessed on the “unsecured roll.” Property assessed by the State Board of Equalization is commonly identified for taxation purposes as “utility” property.

The greater the assessed value of taxable property in the District, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on the Bonds.

Shown in the following table is the assessed valuation of the various classes of property in the District in recent years.

### Historical Total Secured and Unsecured Assessed Valuation El Dorado Union High School District

<u>Fiscal Year</u>	<u>Total Secured Assessed Value</u>	<u>Total Unsecured Assessed Value</u>	<u>Total Assessed Value</u>	<u>Percentage Change</u>
1999 - 00	\$7,570,809,515	\$205,227,047	\$7,776,036,562	
2000 - 01	\$8,142,442,117	\$233,087,775	\$8,375,529,892	7.71%
2001 - 02	\$9,006,904,784	\$281,053,354	\$9,287,958,138	10.89%
2002 - 03	\$10,081,983,749	\$269,683,438	\$10,351,667,187	11.45%
2003 - 04	\$11,271,072,220	\$306,917,743	\$11,577,989,963	11.85%
2004 - 05	\$12,631,416,365	\$326,661,464	\$12,958,077,829	11.92%
2005 - 06	\$14,638,093,328	\$344,132,947	\$14,982,226,275	15.62%
2006 - 07	\$16,749,151,242	\$382,597,488	\$17,131,748,730	14.35%
2007 - 08	\$18,251,883,469	\$431,365,595	\$18,683,249,064	9.06%
2008 - 09	\$18,826,666,102	\$474,864,426	\$19,301,530,528	3.31%
2009 - 10	\$18,233,943,196	\$440,258,294	\$18,674,201,490	-3.25%

Source: El Dorado County Auditor-Controller’s Office.

The County has preliminarily indicated that the fiscal year 2010-11 assessed value growth is expected to be approximately -6.0%. The fiscal year 2010-11 assessed value on the equalized roll will be finalized on August 20<sup>th</sup>.

Shown in the following table are the assessed valuation and parcels by land use in the District for fiscal year 2009-10.

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## Assessed Valuation and Parcels by Land Use El Dorado Union High School District

	2009-10 <u>Assessed Valuation</u> <sup>1</sup>	<u>% of Total</u>	<u>No. of Parcels</u>	<u>% of Total</u>
<b>NON-RESIDENTIAL:</b>				
Agricultural/Timber	\$18,771,161	0.10%	692	1.11%
Commercial	718,840,970	3.94	667	1.07
Vacant Commercial	94,548,966	0.52	290	0.47
Industrial	713,011,466	3.91	769	1.23
Vacant Industrial	86,804,868	0.48	281	0.45
Recreational	145,473,488	0.80	144	0.23
Government/Social/Institutional	22,913,306	0.13	63	0.10
Miscellaneous	<u>48,705,590</u>	<u>0.27</u>	<u>398</u>	<u>0.64</u>
<b>SUBTOTAL NON-RESIDENTIAL</b>	<b>\$1,849,069,815</b>	<b>10.14%</b>	<b>3,304</b>	<b>5.30%</b>
<b>RESIDENTIAL:</b>				
Single Family Residence	\$14,871,190,845	81.56%	45,944	73.73%
Condominium/Townhouse	78,704,142	0.43	641	1.03
Mobile Home	344,928,348	1.89	2,815	4.52
2-3 Residential Units	84,337,993	0.46	421	0.68
4+ Residential Units/Apartments	263,986,611	1.45	253	0.41
Miscellaneous Residential	36,580,055	0.20	584	0.94
Vacant Residential	<u>703,675,255</u>	<u>3.86</u>	<u>8,354</u>	<u>13.41</u>
<b>SUBTOTAL RESIDENTIAL</b>	<b>\$16,383,403,249</b>	<b>89.86%</b>	<b>59,012</b>	<b>94.70%</b>
<b>TOTAL</b>	<b>\$18,232,473,064</b>	<b>100.00%</b>	<b>62,316</b>	<b>100.00%</b>

<sup>1</sup> Local Secured Assessed Valuation; excluding tax-exempt property.  
Source: California Municipal Statistics, Inc.

### Largest Taxpayers in District

The 20 taxpayers in the District with the greatest combined assessed valuation of taxable property on the 2009-10 tax roll own property that comprises 3.13% of the total assessed valuation of secured property in the District. These taxpayers, ranked by aggregate assessed value of taxable property, as shown on the 2009-10 secured tax roll, and the amount of each owner's assessed valuation for all taxing jurisdictions within the District, are shown in the following table.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness in the taxpayer's financial situation and ability or willingness to pay property taxes. In 2009-10, no single taxpayer owned more than 0.28% of the local secured taxable property in the District. Each taxpayer listed is a unique name on the tax rolls. The District cannot determine from assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table.

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## Largest Taxpayers El Dorado Union High School District

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2009-10 Assessed Valuation</u>	<u>% of Total<sup>1</sup></u>
1.	Sobrato Development Company	Apartments	\$51,341,515	0.28%
2.	California Physicians Service	Office Building	50,021,257	0.27
3.	Safeway Inc.	Supermarkets	45,251,242	0.25
4.	LBA Realty Fund III Co. II	Office Building	39,119,040	0.21
5.	Sierra Pacific Industries	Industrial	34,722,940	0.19
6.	Town Center East LP	Commercial	32,396,446	0.18
7.	Toll CA X LP	Residential Development	31,585,844	0.17
8.	DST Realty of CA Inc.	Industrial	29,569,059	0.16
9.	Syers Properties III LLC	Commercial	29,185,344	0.16
10.	Serrano Associates LLC	Residential/Golf	26,121,255	0.14
11.	CSS Properties LLC	Office Building	25,658,028	0.14
12.	Angelo K. Tsakopoulos	Land Holdings	25,222,409	0.14
13.	WRI Golden State LLC	Commercial	22,677,662	0.12
14.	Target Corporation	Commercial	22,397,232	0.12
15.	Sterling Ranch Associates	Apartments	19,120,000	0.10
16.	N. Bruce & Barbara E. Ashwill	Office Building	18,520,514	0.10
17.	628 Harvard Cameron LLC	Commercial	18,042,229	0.10
18.	GHC Company 5 LLC, a DE LLC	Residential Development	17,847,062	0.10
19.	Lake Forest Apartments LLC	Apartments	17,430,538	0.10
20.	Eskaton Village Placerville	Rest Home	<u>13,810,414</u>	<u>0.08</u>
			\$570,040,030	3.13%

<sup>1</sup>2009-10 Local Secured Assessed Valuation: \$18,232,473,064

Source: California Municipal Statistics, Inc.

### Tax Rate

The State Constitution permits the levy of an *ad valorem* tax on taxable property not to exceed 1% of the full cash value of the property, and State law requires the full 1% tax to be levied. The levy of special *ad valorem* property taxes in excess of the 1% levy is permitted as necessary to provide for debt service payments on school bonds and other voter-approved indebtedness.

The rate of tax necessary to pay fixed debt service on the Bonds in a given year depends in large part on the net assessed value of taxable property in that year. (Unsecured property is taxed at the secured property tax rate from the prior year.) Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc., could cause a reduction in the net assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

One factor in the ability of taxpayers to pay additional taxes for general obligation bonds is the cumulative rate of tax. The following table shows *ad valorem* property tax rates for the last several years in a typical tax rate area of the District (TRA 100-013). TRA 100-013 comprises approximately 6.11% of the total assessed value of taxable property in the District.

Typical Total Tax Rates  
TRA 100-013  
El Dorado Union High School District

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
General Tax Rate	1.0000	1.0000	1.0000	1.0000	1.0000
Rescue Union School District	.0219	.0191	.0195	.0232	.0260
El Dorado Union High School District	.0069	.0059	.0056	.0208	.0214
Los Rios Community College District	.0032	.0072	.0066	.0074	.0214
El Dorado Hills Community Services District	.0059	.0048	.0047	.0042	-
Total All Property Tax Rate	<u>1.0379</u>	<u>1.0370</u>	<u>1.0364</u>	<u>1.0556</u>	<u>1.0598</u>
El Dorado Irrigation District	<u>.0092</u>	<u>.0100</u>	<u>.0106</u>	<u>.0104</u>	<u>.0094</u>
Total Land Only Tax Rate	<u>.0092</u>	<u>.0100</u>	<u>.0106</u>	<u>.0104</u>	<u>.0094</u>

Source: California Municipal Statistics, Inc.

Tax Collections and Delinquencies

A school district's share of the 1% countywide tax is based on the actual allocation of property tax revenues to each taxing jurisdiction in the county in fiscal year 1978-79, as adjusted according to a complex web of statutory modifications enacted since that time. Revenues derived from special *ad valorem* taxes for voter-approved indebtedness, including the Bonds, are reserved to the taxing jurisdiction that approved and issued the debt, and may only be used to repay that debt.

The county treasurer-tax collector prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent at 5:00 p.m. December 10, after which time a 10% penalty attaches. The second installment is due on February 1 and becomes delinquent at 5:00 p.m. April 10, after which time a 10% penalty and \$10 cost attach. If taxes remain unpaid by 5:00 p.m. June 30, the tax is deemed to be in default and it will be necessary to pay (i) delinquent penalties, (ii) costs, (iii) redemption penalties, and (iv) a redemption fee. After five years, the county treasurer-tax collector has the power to sell tax-defaulted property that is not redeemed.

Annual bills for property taxes on the unsecured roll are mailed no later than August 1. Taxes on the unsecured roll as of July 31, if unpaid are delinquent at 5:00 p.m. on August 31, and thereafter subject to a delinquent penalty of 10%. Taxes added to the unsecured roll after July 31, if unpaid are delinquent and subject to a penalty of 10 percent at 5:00 p.m., or the close of business, whichever is later, on the last day of the month succeeding the month of enrollment.

The following table shows a recent history of real property tax collections and delinquencies in the District.

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## Secured Tax Charges and Delinquencies El Dorado Union High School District

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<u>Fiscal Year</u>	<u>Secured Tax Charge<sup>1</sup></u>	<u>Amount Delinquent as of June 30</u>	<u>Percent Delinquent as of June 30</u>
1999-00	\$ 75,538,120.56	\$2,114,480.31	2.80%
2000-01	\$ 81,080,005.17	\$1,866,366.45	2.30%
2001-02	\$ 89,709,244.93	\$1,917,305.43	2.14%
2002-03	\$100,930,646.15	\$1,973,881.96	1.96%
2003-04	\$112,677,367.35	\$1,886,167.13	1.67%
2004-05	\$127,155,776.89	\$2,106,003.05	1.66%
2005-06	\$147,489,284.21	\$2,902,399.17	1.97%
2006-07	\$169,174,859.68	\$5,413,207.53	3.20%
2007-08	\$184,809,387.20	\$7,720,276.33	4.18%
2008-09	\$194,634,973.89	\$8,763,232.91	4.50%

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<sup>1</sup> Includes all secured *ad valorem* taxes collected by the County for property located within the District, except for El Dorado Irrigation District's *ad valorem* tax, which is applied to land-only property.

Source: California Municipal Statistics, Inc.

*Teeter Plan.* The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 and following of the California Revenue and Taxation Code. Under the Teeter Plan, the County distributes to each participating local tax-levying agency, including school districts, the amount levied on the secured tax rolls, instead of the amount actually collected. In return, the County receives and retains delinquent payments, penalties and interest as collected that would have been due the local agency in the absence of the Teeter Plan. The County applies the Teeter Plan to taxes levied for repayment of school district bonds.

The County's policy is that any new taxing entity that includes its non-*ad valorem* levy on the County tax roll must be approved by the County Board of Supervisors before adding it to the Teeter Plan. For existing taxing entities, *ad valorem* taxes are automatically included in the Teeter Plan while non-*ad valorem* taxes are not automatically included. The Teeter Plan is to remain in effect unless the County Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the County. The Board of Supervisors may also, after holding a public hearing on the matter, discontinue the procedures with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls in that agency.

As long as the Teeter Plan remains in effect in the County, the District will be credited with the full amount of the tax levy for debt service on the Bonds no matter the delinquency rate within the District.

### Direct and Overlapping Bonded Debt

*The statement of direct and overlapping bonded debt relating to the District, which is set forth on the following page, was prepared by California Municipal Statistics, Inc. It has been included for general information purposes only. The District has not reviewed the statement for completeness or accuracy and makes no representations in connection with the statement.*

Contained within the District's boundaries are numerous overlapping local entities providing public services. These local entities may have outstanding bonds issued in the form of general obligation, lease revenue and special assessment bonds. The first column in the table below names the public agencies that have outstanding debt as of the date of the report and whose boundaries overlap the District. The second column in the table shows the percentage of each overlapping entity's assessed value located within the boundaries of the District. The third column shows the corresponding portion of each overlapping entity's existing debt allocable to property within the District. The total amount of debt for each overlapping entity is not shown in the table.

In addition, property owners within the District may be subject to other special taxes and assessments levied by other taxing authorities that provide services within the District. Such non-*ad valorem* special taxes and assessments (which are not levied to fund debt service) are not represented in the statement of direct and overlapping bonded debt.

# Statement of Direct and Overlapping Bonded Debt (As of July 1, 2010)

## El Dorado Union High School District

2009-10 Assessed Valuation: \$18,674,201,490

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 7/1/10</u>
Los Rios Community College District	13.173%	\$26,321,630
<b>El Dorado Union High School District</b>	<b>100.000</b>	<b>44,130,000<sup>1</sup></b>
Gold Oak Union School District	100.000	2,977,344
Buckeye Union School District	100.000	27,414,996
Gold Trail Union School District	100.000	1,500,000
Placerville Union School District	100.000	4,934,987
Rescue Union School District	100.000	24,454,298
Cameron Park Community Services District	100.000	8,214,458
El Dorado Irrigation District	100.000	3,825,000
El Dorado County Community Facilities District Nos. 1992-1, 2001-1, 2005-1, 2005-2	100.000	105,735,000
Statewide Communities Infrastructure Program (SCIP) 1915 Act Bonds	100.000	13,385,875
Other 1915 Act Bonds	100.000	<u>620,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$263,513,588
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Los Rios Community College District Certificates of Participation	13.173%	\$856,904
Sierra Joint Community College District Certificates of Participation	0.001	148
<b>El Dorado Union High School District Certificates of Participation</b>	<b>100.000</b>	<b>20,409,154</b>
Buckeye Union School District Certificates of Participation	100.000	18,785,000
Rescue Union School District Certificates of Participation	100.000	<u>8,000,000</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$48,051,206
 COMBINED TOTAL DEBT		 \$311,564,794 <sup>2</sup>

Ratios to 2009-10 Assessed Valuation:

<b>Direct Debt (\$44,130,000)</b> .....	<b>0.24%</b>
<b>Combined Direct Debt (\$64,539,154)</b> .....	<b>0.35%</b>
Total Direct and Overlapping Tax and Assessment Debt .....	1.41%
Combined Total Debt .....	1.67%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10: \$0

<sup>1</sup>Excludes general obligation bonds to be sold.

<sup>2</sup>Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

### CAPITAL PROJECTS FINANCING PLAN

Bond proceeds, and interest earnings thereon, are part of a comprehensive financial plan to provide funding for the acquisition and modernization of school facilities throughout the District. For more detailed description of the projects to be financed by proceeds from Measure Q bond authorization, see "APPENDIX E" attached hereto.

The Bonds represent the second series of bonds to be issued under Measure Q. Upon the issuance of the Bonds, \$15,000,000 of Measure Q authorization will remain unissued.

## COUNTY ECONOMIC PROFILE

*The information in this section concerning El Dorado County's economy is provided as supplementary information only, and is not intended to be an indication of security for the Bonds. The Bonds are payable from the proceeds of an ad valorem tax, approved by the voters of the District pursuant to applicable laws and Constitutional requirements, and required to be levied by El Dorado County on all taxable property in the District in an amount sufficient for the timely payment of principal and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT" herein.*

### General Information

The County is one of 58 counties in California and is located in the Sierra Nevada Mountains. Based on data compiled by DataQuick Information Systems, the median sale price of single-family homes and condos in El Dorado County was \$305,000 in March 2010, down approximately 10.8% from \$342,000 in March 2009.

### Population

Since 2005, the population of the County has grown at an average annual rate of approximately 0.9%. The following table displays estimated population data as of January 1<sup>st</sup> for the previous five years for the County and selected cities within the County.

#### Historical Population El Dorado County

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Placerville	10,233	10,263	10,321	10,373	10,429
South Lake Tahoe	23,740	23,768	23,850	23,896	24,087
El Dorado County	175,768	177,712	179,373	180,713	182,019

Source: California Department of Finance

### Unemployment

The following table contains a summary of El Dorado County's unemployment data seasonally unadjusted.

#### Historical Unemployment El Dorado County

	<u>Annual 2006</u>	<u>Annual 2007</u>	<u>Annual 2008</u>	<u>Annual 2009</u>	<u>March 2010</u>
Total Labor Force	92,500	91,300	91,100	91,800	101,500
# Employed	88,200	86,600	84,800	81,500	86,400
# Unemployed	4,300	4,700	6,300	10,300	15,100
Unemployment Rate	4.6%	5.2%	6.9%	11.3%	14.8%

Source: California Employment Development Department.

### Taxable Sales

Total taxable sales reported during calendar year 2008 in El Dorado County were reported to be \$1,787,804,000, a 5.8% decrease from the total taxable sales of \$1,896,995,000 reported during calendar year 2007. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in El Dorado County is presented in the following table. Data for calendar year 2009 are not yet available.

### Taxable Retail Sales El Dorado County

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	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Sales Tax Permits	6,247	6,421	6,216	6,122	6,132
Taxable Sales (000's)	\$1,697,888	\$1,851,231	\$1,898,805	\$1,896,995	\$1,787,804

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Source: California State Board of Equalization

### THE DISTRICT

*The information in this section concerning the operations of the District and its finances are provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the General Fund of the District. The Bonds are payable from the proceeds of an ad valorem tax, approved by the voters of the District pursuant to applicable laws and Constitutional requirements, and required to be levied by the County on all taxable property in the District in an amount sufficient for the timely payment of principal and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT" herein.*

### General Information

The El Dorado Union High School District was established in 1905. The District's administrative offices are located in Placerville, California, and the District's boundaries encompass an area of approximately 1,200 square miles in the historic gold rush area of the Sierra Nevada foothills, 30 miles east of Sacramento. The territory covered by the District includes the communities of Placerville, El Dorado Hills, Cameron Park, Diamond Springs, Camino, Pollock Pines and many smaller rural communities. U.S. Highway 50, one of the main routes linking the San Francisco Bay Area with Lake Tahoe, runs through the District. Although much of the District's area is rural, the significant residential development which has occurred over the past decade within the District has rapidly changed the demographics of the area.

The District provides public education to over 7,000 students in grades nine through twelve in four comprehensive high schools, a charter school, four alternative schools, an adult education program, a charter school, a regional occupational program (ROP), a community day school, and a jail program. The District has acquired land for two additional comprehensive high schools, although construction of these schools is not planned in the near future. 12 elementary school districts feed into the District.

### The Board of Trustees and Key Administrative Personnel

The Board governs all activities related to public education within the jurisdiction of the District. The Board consists of five members. Each Board member is elected by the public for a four-year term of office and elections for the Board are held every two years. The Board has the decision making authority, the power to designate management, the responsibility to significantly influence operations and is accountable for all fiscal matters relating to the District. The current members of the Board and positions held are set forth on page "iii" of this Official Statement.

The Superintendent of the District is appointed by the Board and reports to the Board. The Superintendent is responsible for managing the District's day-to-day operations and supervising the work of other key District administrators. The members of the District Administration and positions held are set forth on page "iii" of this Official Statement.

## The Board of Trustees El Dorado Union High School District

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<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mary T. Muse	President	December 2012
Lori M. Veerkamp	Clerk	December 2012
Timothy M. Cary	Trustee	December 2010
Kirby L. Ehler	Trustee	December 2010
Madeline T. Restaino	Trustee	December 2010

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### Average Daily Attendance

Student enrollment determines to a large extent what a California public school district receives in funding for program, facilities and staff needs. 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. See “STATE FUNDING OF PUBLIC EDUCATION” herein. Set forth below is the Period 2 (“P-2”) ADA, excluding adult education and regional occupation program, for the District for previous four fiscal years and a projection of the P-2 ADA for the current fiscal year.

## Average Daily Attendance El Dorado Union High School District

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	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10*</u>	<u>2010-11*</u>
District P-2 ADA	6,782	6,712	6,745	6,561	6,468
Charter P-2 ADA	<u>122</u>	<u>118</u>	<u>102</u>	<u>92</u>	<u>63</u>
Total	6,904	6,830	6,847	6,653	6,530

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\* Estimated.

### Charter Schools

There is currently one charter school operating within the District, the Shenandoah Charter High School, granted and approved in 2001 and re-approved in 2006 for a term of five years. The Charter School is fiscally dependent on the District, and serves grades nine through twelve. Current enrollment at the Shenandoah Charter High School is 70 students, with a majority of students residing within the District.

Charter schools receive revenues from the State and from the District for each student enrolled, and thus cause a reduction in revenues available for students enrolled in District schools. However, certain per-pupil expenditures of the District also decrease based upon the number of students enrolled in charter schools. To the extent charter schools draw students from District schools and reduce District enrollment, charter schools can adversely affect District revenues. Pursuant to Proposition 39, school districts are required to provide facilities comparable to those provided to regular District students for charter schools having a projected average daily attendance of at least 80 or more students from that district.

### Pupil-Teacher Ratios

Set forth below are the pupil-to-teacher ratios of the District for fiscal year 2008-09.

## Pupil-To-Teacher Ratios El Dorado Union High School District

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<u>Level</u>	<u>Pupil-Teacher Ratio</u>
High School	22.7
Alternative	25.4
Continuation	16.7
Community Day	11.7
Total	22.5

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Source: Education Data Partnership.

### Employee Relations

California law provides that employees of public school districts of the State are to be divided into appropriate bargaining units that then are to be represented by an exclusive bargaining agent.

The District has two recognized bargaining agents for its employees. The Faculty Association is the exclusive bargaining agent for all certificated personnel within the District, which includes the teachers of the District. The California School Employees Association (the "CSEA") is the exclusive bargaining agent for all classified non-management employees of the District. Some classified employees working in the district administration office of the District are considered "confidential" employees, and as such are not participants in either of the unions.

Set forth in the following table are the District's bargaining units, number of employees by full-time equivalents ("FTEs"), and contract status for fiscal year 2010-11.

## Bargaining Units, Number of Employees and Contract Status El Dorado Union High School District

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<u>Certificated</u>	<u># of FTEs</u>	<u>Status</u>
Faculty Association	292	In negotiations for fiscal year 2009-10
<u>Classified</u>	<u># of FTEs</u>	<u>Status</u>
CSEA	172	In negotiations for fiscal year 2009-10

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### Pension Plans

All full-time employees of the District are eligible to participate under defined benefit retirement plans maintained by agencies of the State. Certificated employees are eligible to participate in the cost-sharing multiple-employer State Teachers' Retirement System ("STRS"). Classified employees are eligible to participate in the agent multiple-employer Public Employees' Retirement Fund of the Public Employees' Retirement System ("PERS"), which acts as a common investment and administrative agent for participating public entities within the State.

STRS operates under the State Education Code sections commonly known as the State Teachers' Retirement Law. Membership is mandatory for all certificated employees of California public schools meeting the eligibility requirements. STRS provides retirement, disability and death benefits based on an employee's years of service, age and final compensation. Employees vest after five years of service and may receive retirement benefits at age fifty-five.

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate (8.25% in 2008-09). The District's contribution to STRS for fiscal year 2007-08 was \$2,395,268, for fiscal year 2008-09 was \$2,366,832, and for fiscal year 2009-10 is estimated to be approximately \$2,304,400.

All full-time classified employees of the District participate in PERS, which provides retirement, disability and death benefits based on an employee's years of service, age and final compensation. Employees vest after five years of service and may receive retirement benefits at age fifty. These benefit provisions and all other requirements are established by State statute and District resolution.

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate (9.428% in 2008-09). The District's contribution to PERS for fiscal year 2007-08 was \$892,590, for fiscal year 2008-09 was \$901,417 and for fiscal year 2009-10 is estimated to be approximately \$929,608. For a more complete description of the District's pension plan and annual contribution requirements, see "APPENDIX A" attached hereto.

#### Other Post-Employment Benefits

In June 2004, the Governmental Accounting Standards Board ("GASB") pronounced Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions. The pronouncement requires public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits.

The District provides other post-employment benefits ("OPEB") to certain retirees. Eligibility requirements and benefit levels depend on representation unit. Represented certificated staff who have at least 10 years with the District and have reached age 55 are eligible to receive the same benefit cap the District provides to current employees for health insurance for a period of five years or to age 65, whichever is first. Additionally, they may work 18 days a year for a payment of \$4,000. Represented classified staff who have at least 15 years with the District and have reached age 50 are eligible to receive the same benefit cap the District provides to current employees for health insurance for a period of five years or until they reach Medicare eligibility, whichever is first. Additionally, they may work 10 days a year at the substitute pay level for their position. Management staff members who retired prior to October 1, 2005, who had at least 10 years with the District, and had reached age 50, received an annual cash payment of \$7,615 until they are age 65. In addition, they may work 20 days a year for five years at the pay rate of the retired position. Members who had at least 10 years with the District and had reached age 50 and who retire after October 1, 2005 will be eligible for one-time payments ranging from \$10,000 to \$30,000, depending on their length of their service. All management members will be eligible to receive the minimum allowed retiree payments to PERS toward health benefits for as long as they purchase health insurance through PERS. The current minimum contribution is \$14.55 per month.

In June 2007, an actuarial study was completed identifying the District's OPEB liability. The study determined the District OPEB unfunded actuarial accrued liability ("UAAL") as of January 1, 2007 to be \$6,044,000, with an annual required contribution ("ARC") of \$677,000. The District has set aside \$680,000 to fund its UAAL, however, this amount is not in an irrevocable trust. The District's "pay-as-you-go" OPEB cost was approximately \$536,000 in fiscal year 2008-09.

## DISTRICT FINANCIAL INFORMATION

#### Accounting Practices

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

The District's financial statements consist of government-wide statements and fund-based financial statements. Government-wide statements, consisting of a statement of net assets and a statement of activities, report all the assets, liabilities, revenue and expenses of the District and are accounted for using the economic resources measurement focus and accrual basis of accounting. The fund-based financial statements consist of a series of statements that provide information about the District's major and non-major funds. Governmental funds, including the District's General Fund, special revenues funds, capital project funds and debt

service funds, are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available, while expenditures are recognized in the period in which the liability is incurred, if measurable. Proprietary funds and fiduciary funds are accounted for using the economic resources measurement focus and accrual basis of accounting. See “NOTE 1” in “APPENDIX A” herein for a further discussion of applicable accounting policies.

The independent auditor for the District is Goodell, Porter, Sanchez & Bright, LLP CPAs, Sacramento, California. The financial statements of the District as of and for the year ending June 30, 2009, are set forth in “APPENDIX A” attached hereto. The auditor has not performed any subsequent events review or other procedures relative to these audited financial statements since the date of its letter.

#### Budget and Financial Reporting Process

The District’s General Fund finances the legally authorized activities of the District for which restricted funds are not provided. General Fund revenues are derived from such sources as federal and State school apportionments, taxes, use of money and property, and aid from other governmental agencies.

The District is required by provisions of the State Education Code to maintain a balanced budget each year, where the sum of expenditures plus the ending fund balance cannot exceed revenues plus the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting format for school districts.

The fiscal year for all school districts is July 1 to June 30. The same calendar applies to the budgets of county offices of education, except that their budgets and reports go to the Superintendent of Public Instruction for review. The State budget, too, is extremely important since school districts depend on it for a substantial portion of their revenue. There is a very close timing in the summer between final approval of the State budget, school finance legislation, and the adoption of local district budgets. In some years, the State budget is not approved by the deadline, which forces school districts to begin the new fiscal year with only estimates of the amount of money they will actually receive.

The school district budgeting process involves continuous planning and evaluation. Within the deadlines, school districts work out their own schedules for considering whether or not to hire or replace staff, negotiating contracts with all employees, reviewing programs, and assessing the need to repair existing or acquire new facilities. Decisions depend on the critical estimates of enrollment, fixed costs, commitments in contracts with employees as well as best guesses about how much money will be available for elementary and secondary education.

The timing of some decisions is forced by legal deadlines. For example, preliminary layoff notices to teachers must be delivered in March, with final notices in May. This necessitates projecting enrollments and determining staffing needs long before a school district will know either its final financial positions for the current year or its income for the next year.

The governing board must submit a budget to the county superintendent of schools by July 1, and a publicized opportunity for public participation in the budget process is required by law. There are two options for budget adoption. School districts may adopt their budgets by July 1 and then revise and readopt them by September 8 after a public hearing. Alternatively, school districts may decide, by the previous October 31, to hold public hearings before adopting their budgets by July 1. School districts choosing this option revise their revenues and expenditures after the State budget act is adopted, without a second public hearing. All school districts must perform a criteria and standards review before budget adoption. In addition, those school districts on the alternative schedule for adoption must repeat the review before their revision only if the July 1 budget was disapproved. Legislation requires criteria and standards for stringent review of school districts' finances, focusing primarily on predictions of actual daily attendance, operating deficit, and reserves. The legislation also dictates when and how outside committees, or an appointed trustee in emergency situations, must work with school districts. This oversight is part of an effort to reduce the number of districts in financial trouble and to increase the responsible use of tax dollars.

The county superintendents monitor all school districts' budgets, ongoing financial obligations and multi-year contracts. They have specific powers for recommending actions to revise budgets. They are not, however, authorized to abrogate existing collective bargaining agreements. School districts must review their financial position for the periods ending October 31 and January 31 in order to certify their ability to meet commitments through the rest of the school year.

Each school district is required by the State Education Code to file these two interim reports each year by not later than December 15 and March 15. Each interim report shows fiscal year to date financial operations and the current budget, with any budget amendments made in light of operations and conditions to that point. The county offices of education must then, within 30 days,

evaluate the interim reports and forward their comments to the State Department of Education and the State Controller's Office. Included in the report is a certification by the president of the governing board of each school district that classifies the school district according to its ability to meet its financial obligations. The certifications are grouped into three categories: positive certification, which designates that the school district will be able to meet its financial obligations for the remainder of the fiscal year and the following two years; qualified certification, which means that the school district may not be able to meet its financial obligations for the remainder of the fiscal year and following two years if certain events occur; and negative certification, which signifies that the school district will not be able to meet its financial obligations for the remainder of the fiscal year or of the following year. A certification by the governing board may be overridden by the county superintendent. If either the first or second interim report is not positive, the county superintendent may require the district to provide a third interim report by June 1 covering the period ending April 30. If not required, a third interim report is generally not prepared (though may be at the election of the district). The same calendar applies to the budgets of county offices of education, except that their budgets and reports go to the State Superintendent of Public Instruction for review.

The county superintendent must annually present a report to the governing board of the school district and the State Superintendent of Public Instruction regarding the fiscal solvency of any school district with a disapproved budget, qualified interim certification, or negative interim certification, or that is determined at any time to be in a position of fiscal uncertainty, pursuant to Education Code Section 42127.6. Any school district with a qualified or negative certification must allow the county office of education at least ten working days to review and comment on any proposed agreement made between its bargaining units and the school district before it is ratified by the board (or the state administrator). The county superintendent will notify the school district, the county board of education, the governing board and the district superintendent (or the state administrator), and each parent and teacher organization of the school district within those ten days if, in his or her opinion, the agreement would endanger the fiscal well-being of the school district. Also, pursuant to Education Code Section 42133, a school district that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or the next succeeding fiscal year, non-voter approved debt unless the county superintendent of schools determines that the repayment of that debt by the school district is probable.

The filing status of the District's interim reports for the past five years are set forth in the following table.

### Certifications of Interim Financial Reports El Dorado Union High School District

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<u>Fiscal Year</u>	<u>First Interim</u>	<u>Second Interim</u>
2005-06	Positive	Positive
2006-07	Positive	Positive
2007-08	Positive	Positive
2008-09	Positive	Positive
2009-10	Positive	Positive

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#### Financial Statements

Figures presented in summarized form herein have been gathered from the District's financial statements. The audited financial statements of the District for the fiscal year ending June 30, 2009, have been included in this Official Statement. See "APPENDIX A" herein. Audited financial statements and other financial reports for all prior fiscal years are on file with the District and available for public inspection during normal business hours. Copies of financial statements relating to any year are available to prospective investors and or their representatives upon request by contacting the District at the address and telephone number set forth on page "iii" of this Official Statement, or by contacting the District's financial advisor, Government Financial Strategies inc., 1228 "N" Street, Suite 13, Sacramento, California, 95814-5609, Tel. (916) 444-5100.

The following table sets forth certain General Fund information for the District.

## Historical and Budgeted General Fund Activity El Dorado Union High School District

	2006-07 <u>Audited</u>	2007-08 <u>Audited</u>	2008-09 <u>Audited</u>	2009-10 <u>Est. Actuals</u>	2010-11 <u>Budget</u>
BEGINNING BALANCE	\$6,463,912	\$10,216,869	\$11,247,777	\$13,567,258	\$10,619,461
REVENUES					
Revenue Limit Sources	\$45,322,287	\$45,441,779	\$44,250,739	\$39,151,229	\$37,835,305
Federal Revenue	2,177,860	2,396,047	4,332,606	5,019,133	1,675,317
Other State Revenues	9,897,920	8,548,911	7,268,497	5,832,983	6,834,306
Other Local Revenues	4,658,538	4,697,243	4,485,047	4,973,648	3,938,611
TOTAL REVENUES	\$62,056,605	\$61,083,980	\$60,336,889	\$54,976,992	\$50,283,539
EXPENDITURES					
Certificated Salaries	\$27,774,949	\$28,944,287	\$28,910,626	\$28,182,618	\$26,708,688
Classified Salaries	8,704,923	9,400,988	9,279,806	8,786,683	8,401,420
Employee Benefits	9,456,906	9,855,840	9,580,825	9,803,485	9,820,722
Books and Supplies	3,706,407	3,816,442	2,882,136	4,801,317	3,049,619
Srvcs. / Other Op. Expn.	4,645,705	5,101,313	4,345,609	4,854,898	4,198,907
Other Outgo	2,832,118	1,943,730	1,819,143	1,552,700	1,785,388
Capital Outlay	448,980	420,482	47,430	25,441	12,500
Debt Service	286,538	221,800	155,536	n/a	n/a
TOTAL EXPENDITURES	\$57,856,526	\$59,704,882	\$57,021,111	\$58,007,143	\$53,977,244
OTHER FINANCING SOURCES	(\$447,122)	(\$348,190)	(\$996,297)	\$82,354	(\$145,008)
NET INCREASE (DECREASE)	\$3,752,957	\$1,030,908	\$2,319,481	(\$2,947,796)	(\$3,838,713)
ENDING BALANCE	\$10,216,869	\$11,247,777	\$13,567,258	\$10,619,461	\$6,780,748

### Revenues

The District categorizes its General Fund revenues into four primary sources: revenue limit sources, federal revenues, other state revenues and other local revenues.

*Revenue Limit Sources.* Since fiscal year 1973-74, California school districts have operated under general purpose revenue limits established by the State Legislature. In general, the state revenue limit for a school district is calculated by multiplying a “base revenue limit” per student by the school district’s student enrollment measured in units of ADA. The revenue limit calculations are adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type. The District’s base revenue limit per unit of ADA was \$7,053.70 for fiscal year 2008-09, was \$7,353.70 in fiscal year 2009-10 and is budgeted to be \$7,326.00 in fiscal year 2010-11.

School district’s revenue limit funding is typically accomplished by a mix of a) local property taxes, and b) State apportionments of basic and equalization aid. Generally, the State’s apportionments amount to the difference between the District’s revenue limit and its local property tax revenues. The District is budgeted to receive \$26,066,429 of property tax revenues (net of transfers) in fiscal year 2010-11, representing 68.9% of the District’s revenue limit funding. Revenue limit sources as a whole were 73.3% of General Fund revenues in fiscal year 2008-09, are estimated to be 71.2% of General Fund revenues in fiscal year 2009-10 and are budgeted to be 75.2% of General Fund revenues in fiscal year 2010-11.

*Federal Revenues.* The federal government provides funding for several District programs. Federal revenues also include the revenues received pursuant to the American Recovery and Reinvestment Act signed into federal law on February 17, 2009. These federal revenues, most of which are restricted, were 7.2% of General Fund revenues in fiscal year 2008-09, are estimated to be 9.1% of General Fund revenues in fiscal year 2009-10 and are budgeted to be 3.3% of General Fund revenues in fiscal year 2010-11.

*Other State Revenues.* In addition to apportionment revenues, the State provides funding for several District programs. These other State revenues, most of which are restricted, were 12.0% of General Fund revenues in fiscal year 2008-09, are estimated to be 10.6% of General Fund revenues in fiscal year 2009-10 and are budgeted to be 13.6% of General Fund revenues in fiscal year 2010-11. Included in other State revenues are proceeds received from the State from the California State Lottery.

*Other Local Revenues.* In addition to property taxes, District receives additional local revenues including parcel tax revenues. Revenues from other local sources were 7.4% of General Fund revenues in fiscal year 2008-09, are estimated to be 9.0% of General Fund revenues in fiscal year 2009-10 and are budgeted to be 7.8% of General Fund revenues in fiscal year 2010-11.

### Expenditures

The largest components of a school district's general fund expenditures are certificated and classified salaries and employee benefits. Changes in salary and benefit expenditures from year to year are generally based on changes in staffing levels, negotiated salary increases, and the overall cost of employee benefits. Even with no negotiated cost of living increases or changes in staffing levels, normal "step and column" advancements on the salary scale result in increased salary expenditures. Step and column increases are budgeted to be \$581,400 for fiscal year 2010-11.

Employee salaries and benefits were approximately 83.8% of General Fund expenditures in fiscal year 2008-09, are estimated to be 80.6% of General Fund expenditures in fiscal year 2009-10 and are budgeted to be 83.2% of General Fund expenditures in fiscal year 2010-11.

### Short Term Borrowings

The District has in the past issued short-term tax and revenue anticipation notes. Proceeds from the issuance of notes by the District during previous fiscal years have been used to reduce inter-fund dependency and to provide the District with greater overall efficiency in the management of its funds. Currently, the District has no notes outstanding. The District has never defaulted on any of its short term borrowings.

### Capitalized and Bonded Lease Obligation

The District has made use of various capital lease arrangements in the past under agreements that provide for title of items and equipment being leased to pass to the District upon expiration of the lease period. The District has promised to annually appropriate the amounts necessary to make all future lease payments from available revenues. All capitalized and bonded lease obligations of the District as of June 30, 2009 are set forth in "APPENDIX A" attached hereto. The District's current capitalized and bonded lease obligations are set forth in the following table.

## Outstanding Capitalized and Bonded Lease Obligations El Dorado Union High School District

<u>Obligation Type</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Final Maturity</u>	<u>Outstanding as of June 30, 2010</u>	<u>Debt Service in Fiscal Year 2010-11</u>
COPs	October 17, 2001	\$4,970,000	2032	\$4,150,000	\$309,183
COPs	April 5, 2006	\$14,295,000	2016	\$11,405,000	\$1,969,300
Refunding COPs	December 9, 2009	\$9,004,154	2039	\$9,211,567 <sup>1</sup>	\$142,313

<sup>1</sup>Includes the accreted value on the capital appreciation certificates.

### Long Term Bonded Indebtedness

All long term bonded indebtedness of the District as of June 30, 2009 are set forth in “APPENDIX A” attached hereto. The District’s long term bonded indebtedness are set forth in the following table.

## Outstanding General Obligation Bonds El Dorado Union High School District

<u>Authorization</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Final Maturity</u>	<u>Outstanding as of June 30, 2010</u>	<u>Debt Service in Fiscal Year 2010-11</u>
Refunding	May 7, 2008	\$12,340,000	2023	\$11,670,000	\$1,123,975
Election of 2008	September 30, 2008	\$34,000,000	2033	\$32,460,000	\$2,989,488

### STATE FUNDING OF PUBLIC EDUCATION

*The information in this section concerning State funding of public education is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from State revenues. The Bonds are payable from the proceeds of an ad valorem tax approved by the voters of the District pursuant to applicable laws and Constitutional requirements and required to be levied by the County in an amount sufficient for the timely payment of principal and interest on the Bonds.*

### Revenue for Public Education

*Sources of Revenue.* The State’s K-12 education system is supported primarily from State revenues, mostly sales and income taxes. The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see “CONSTITUTIONAL & STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES & EXPENDITURES). As a result, changes in State revenues may affect appropriations made by the State to school districts. State revenue sources for school districts are supplemented with local property taxes, federal aid, local miscellaneous funds, and the California State Lottery.

In recent years, approximately 58% of all funds for California K-12 public education came from the State budget, which is required to be proposed by the Governor by January 10 and adopted by June 15 of each year (although the State often is late adopting the budget). Approximately 21% of funding for K-12 education comes from local property taxes. The California Constitution limits property taxes to one percent of the value of property; property taxes may only exceed this limit to repay voter approved debt.

Statewide, approximately 13% of school districts’ revenues come from the federal government, and about 6% come from local miscellaneous sources. The latter category includes items such as food sales, money for debt repayment, interest on reserves and, in some cases, more significant sources such as developer fees and parcel taxes. Developer fees are fees that school districts can levy on new residential or commercial development within their boundaries to finance the construction or renovation of school facilities. Many school districts also seek grants or contributions, sometimes channeled through private foundations established to solicit donations from local families and businesses. School districts that still have unused school buildings or sites can lease or sell them for miscellaneous income as well. A significant number of school districts have secured the required two-thirds approval from local voters to levy special taxes on parcels or residences and/or have won voter approval, with either a two-thirds vote or a 55% majority, to sell general obligation bonds or to establish special taxing districts for the construction of schools. Use of such taxes is restricted by law.

The final revenue source for school districts is the California State Lottery. Approved by voters in late 1984, the lottery generates about 1% of total school revenues. Every three months the Lottery Commission calculates 34% of lottery proceeds for all public

education institutions, the minimum according to the lottery law. Every K-14 school district receives the same amount of lottery funds per pupil from the State, which may be spent for any instructional purpose, excluding capital projects.

No other source of general purpose revenue is currently permitted for schools. Proposition 13 eliminated the possibility of raising additional *ad valorem* property taxes for general school support, and the courts have declared that fees may not be charged for school-related activities other than for busing services.

*The State Revenue Limit.* The State Revenue Limit was first instituted in 1973-74 to provide a mechanism to calculate the amount of general purpose revenue a school district, community college district or county board of education is entitled to receive from State and local sources. Each school district has its own target amount of funding from State funds and local property taxes per Average Daily Attendance (the “ADA”). The ADA is the average number of pupils attending school over the year. This target is known as revenue limit, and the funding from this calculation forms the bulk of all school districts’ income. The State Legislature usually grants annual cost-of-living adjustments (COLAs) to revenue limits. The exact amount depends on whether the school district is an elementary, high school or a unified school district.

Apportionments for revenue limits are calculated three times a year for each school district, community college district and county board of education. The first calculation is performed for the February 20th First Principal Apportionment, the second calculation for the June 25th Second Principal Apportionment, and the final calculation for the end of the year Annual Apportionment. Calculations are reviewed by the county and submitted to the State Department of Education with respect to school districts and to the Chancellor of the California Community Colleges with respect to community college districts, which, respectively, reviews the calculations for accuracy, calculates the amount of state aid owed to such school district or community college district, as the case may be, and notifies the State Controller of the amount, who then distributes the state aid.

School districts that receive their revenue limit income entirely from property taxes are called “basic aid” school districts. They are permitted to keep all their property tax money (even if it exceeds their revenue limit). As guaranteed in the California Constitution, the State must apportion \$120 per pupil. However, the categorical aid (see below) that school districts receive counts toward this requirement. The District is a “basic aid” school district.

#### Distribution of Revenue for School Districts

*General Purpose.* The largest part of each school district’s revenue funds general operating expenses associated with providing education, including salaries, benefits, supplies, textbooks and regular maintenance. As previously mentioned, the Revenue Limit governs the amount each school district receives. Each school district also receives some State and federal money for special programs, special costs, or categories of children with particular educational needs, called “categorical aid.”

*Categorical Aid.* This special support goes into a school district’s General Fund, but its expenditure is restricted to the purpose for which it is granted. About seventy-five percent (75%) of the total money generated for education is for general purposes, and about twenty-five percent (25%) is for categorical aid. The complex allocation system is adjusted somewhat by the State Legislature almost every year, with unpredictable effects on individual school districts.

There are a number of major federal and State categorical aid programs. Some allocations come automatically to school districts, while others require an application. Some programs are based on the characteristics of the children or families in a particular school district, such as gifted and talented, non-English speaking, migrant, low income or handicapped students. Other programs are for specific activities or expenses, such as transportation, textbooks or childcare. Each year a large amount of aid is allocated directly to the State Teachers’ Retirement System (STRS) fund. For the past several years, supplemental grants have been directed to equalizing school districts’ income from revenue limits plus specific categoricals. Most of the federal funds flow through the California Department of Education, which retains a certain percentage for administration.

In terms of dollars and the number of children served, the largest categorical aid program is Special Education for the Handicapped. According to court decisions and federal and California law, school districts are responsible for the appropriate education of each handicapped child from age 3 to 21 who lives within their boundaries. The allocations do not cover the cost of educating them. School districts are required to contribute a certain amount of general purpose funds for Special Education, and many spend much more. This is known as “encroachment.”

*School Facilities.* Growing enrollments and/or aging facilities require school districts to build or make major renovations to school buildings. The income from developer fees on residential or commercial property is insufficient to fund all facilities costs. Voter approved general obligation bond moneys may only be used for purchase or improvement of real property, while Mello-

Roos taxes can be used for this as well as for ongoing maintenance or purchase of needed equipment. A majority of voters has regularly approved state bond measures for the construction or reconstruction of schools.

### The 2009-10 State Budget

*The information in this section has been compiled from publicly available information through the State Department of Finance and the State Legislative Analyst's Office. The District and the Underwriter do not assume any responsibility for the accuracy of such information as set forth or incorporated by reference herein, although they believe that the information provided by the above-listed sources is reliable.*

*The State Budget Package.* On November 5, 2008, a special session of the State Legislature was called to deal with a budget deficit that had arisen since the 2008-09 budget was adopted, principally as a result of a shortfall in revenues. This special session extended through February 19, 2009, at which time the Legislature voted to approve a budget package (the "State Budget Package") addressing the State's multi-year \$42 billion deficit, which included \$15 billion in State spending reductions, \$12.8 billion in temporary tax increases (including an increase in the vehicle license fee and an increase in State sales and income taxes), \$11.4 billion in borrowing and a \$1 billion reserve. The State Budget Package included revisions to the 2008-09 budget and adoption of the 2009-10 budget, covering a 17-month period ending July 1, 2010, addressing spending reductions, revenue increases, economic stimulus and increasing governmental efficiency. Certain measures required voter approval at a special statewide election held on May 19, 2009. The Governor signed the State Budget Package on February 20, 2009.

Key provisions of the State Budget Package included approximately \$7.4 billion in reductions in Proposition 98 funding in fiscal year 2008-09 achieved through \$2.4 billion in program reductions and \$5 billion in Proposition 98 funding deferrals and fund swaps (see "CONSTITUTIONAL & STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES & EXPENDITURES – Expenditures and Appropriations" for information on Proposition 98 funding). The State Budget Package provided for total Proposition 98 funding of \$54.9 billion in fiscal year 2009-10. To mitigate education program reductions, the State Budget Package provided for categorical funding flexibility over 5 years, allowing the transfer of funds from 40 categorical programs to the general fund, commencing in 2008-09. In addition, categorical ending balances could be used for general purpose activities in fiscal year 2008-09 and 2009-10 with certain exclusions.

*The May Proposal.* On May 14, 2009, the Governor released a proposed revision to the State Budget Package (the "May Proposal"). (Typically, the May Proposal proposes changes to the budget proposed by the Governor in January; however, with the State Budget Package signed in February 2009 including a budget for fiscal year 2009-10, the May Proposal proposed changes to the previously enacted State Budget Package). The May Proposal identified a \$21 billion projected budget shortfall arising since the State Budget Package was enacted. The \$21 billion shortfall was due to 1) updated estimates reducing expected revenues in fiscal years 2008-09 and 2009-10 by \$12.5 billion, 2) the rejection by voters of the propositions on the May 19, 2009 ballot resulting in a \$5.8 billion shortfall, and 3) \$3.1 billion of other changes including lower property taxes leading to increased Proposition 98 funding requirements. To address the shortfall, the Governor proposed \$21 billion of solutions, including \$10 billion of spending reductions, \$7.5 billion of borrowing, and \$3.5 billion of revenue actions. Significant spending reductions included, among other items, reducing fiscal years 2008-09 and 2009-10 Proposition 98 funding by \$5 billion.

*The 2009-10 State Budget Revision.* On July 1, 2009, the State entered the 2009-10 fiscal year without significant revisions to the State Budget Package. In response, the Governor declared a fiscal emergency and called a special session of the State Legislature in order to address the projected 2009-10 budget deficit. Additionally, the State began to issue warrants in lieu of cash payments to certain vendors. Although the State Constitution requires the public school system receive the first distribution of moneys from all State revenues, there can be no assurance that the State's financial difficulties will not result in payment delays to K-14 education agencies.

On July 28, 2009, the Governor signed the 2009-10 budget revision bill package (the "2009-10 State Budget Revision") into law. The 2009-10 State Budget Revision incorporated \$23.7 billion in budget solutions, including K-14 spending reductions of \$6.5 billion, health spending reductions of \$2.3 billion, higher education spending reductions of \$2.0 billion, local government and employee compensation reductions of \$1.8 billion each, other spending reductions of \$3.6 billion, increased revenues of \$3.5 billion, and additional borrowing of \$2.2 billion. Fiscal year 2009-10 State general fund expenditures in the Budget Revision are \$84.6 billion, further reduced from the proposed May Proposal figure of \$91.0 billion, with an ending reserve of approximately \$500 million.

Proposition 98 sets the minimum funding levels for K-12 and community college education based on a complex set of formulas using a multitude of factors, including the prior year level of funding, State general fund revenues, per capita personal income, and school attendance growth or decline (see "CONSTITUTIONAL & STATUTORY PROVISIONS AFFECTING REVENUES

& EXPENDITURES” herein). When General Fund revenues drop, the Proposition 98 minimum guarantee often falls in tandem. This is the case in fiscal years 2008-09 and 2009-10—with the drop in estimated State general fund revenues resulting in notable drops in the minimum guarantee.

An overview of the State’s Proposition 98 funding under the Budget Revision appears in the following table.

### Proposition 98 Funding under the 2009-10 State Budget Revision

	2007-08	-----	2008-09	-----	-----	2009-10	-----
	<u>Actual</u>	Budget	May	Budget	Budget	May	Budget
	(Millions)	Package	Proposal	Revision	Package	Proposal	Revision
	(Millions)	(Millions)	(Millions)	(Millions)	(Millions)	(Millions)	(Millions)
K-12 Education	\$50,304	\$44,660	\$43,250	\$43,062	\$48,315	\$44,515	\$44,637
Community Colleges	6,112	5,972	5,734	5,934	6,482	5,784	5,669
Other Agencies	<u>121</u>	<u>106</u>	<u>106</u>	<u>106</u>	<u>107</u>	<u>107</u>	<u>112</u>
Total	\$56,538	\$50,738	\$49,091	\$49,102	\$54,904	\$50,407	\$50,418
General Fund	\$41,978	\$35,036	\$33,691	\$34,052	\$39,461	\$35,971	\$35,032
Local Property Taxes	\$14,560	\$15,703	\$15,400	\$15,050	\$15,442	\$15,442	\$15,386

Source: The California Legislative Analyst’s Office

Provisions impacting education in the Budget Revision include:

- Reductions to Proposition 98 spending by \$6.1 billion over the two-year period relative to the State Budget Package, including \$5.3 billion in K-12 education and \$850 million in community college reductions.
- Suspension of a statutorily required \$450 million State general fund payment for the Quality Education Investment Act (“QEIA”) program. Instead, the Budget Revision provides ongoing Proposition 98 funding for QEIA in 2009-10 and the program is extended an additional year, to 2014-15. School districts that receive QEIA funding will receive a comparable reduction to their revenue limits payments, but are eligible to apply for additional federal Title I funds in 2009-10.
- Reductions to 2008-09 Proposition 98 spending by reverting \$1.6 billion in K-12 categorical funds that had not been distributed to school districts at the close of the 2008-09 fiscal year. These funds are subsequently provided to school districts in 2009-10.
- Reductions to K-12 revenue limits by \$4 billion to achieve 2009-10 savings. The reductions include a \$1.6 billion reduction to offset the restoration of categorical funds reverted in 2008-09.
- Reductions in penalties associated with K-3 class size reduction, allowing school districts to retain up to 70 percent of funding if pupil-to-teacher ratios increase to more than 25 to 1.
- Authorization of a reduction in the school year from 180 days to 175 days.
- A four-year suspension of the requirement for school districts to purchase instructional materials within 24 months of adoption of those materials by the State Board of Education.
- Additional deferrals of \$1.7 billion in K-12 revenue limit payments and \$115 million in community college apportionment payments from fiscal year 2009-10 into fiscal year 2010-11. In addition, the payment schedule for K-12 apportionment funding and categorical funding was revised to distribute five percent of total payments in each of July and August and nine percent in each of the remaining months, allowing for a more even distribution of funding to schools and more predictable outflows from the state General Fund.

With the additional deferrals incorporated into the Budget Revision, total deferrals of K-12 revenue limit payments in fiscal year 2009-10 are approximately \$8.6 billion. These deferrals include:

- \$1.0 billion from July 2009 to December 2009.
- \$1.5 billion from August 2009 to October 2009.
- \$1.0 billion from November 2009 to January 2010.
- \$2.0 billion from February 2010 to July 2010.
- \$679 million from April 2010 to August 2010.
- \$1.0 billion from May 2010 to August 2010
- \$1.4 billion from June 2010 to July 2010.

Somewhat offsetting the reductions in the State budget is the impact of the American Recovery and Reinvestment Act signed into federal law on February 17, 2009. A report issued by the entitled “Federal Economic Stimulus Package: Fiscal Effect on

California” estimates that the State will receive over \$31 billion in aid and billions more in competitive grants. The California Legislative Analyst’s Office estimates that about \$29.8 billion of these funds will be available in 2008-09 and 2009-10 to relieve the State’s budgetary problems. Of this amount, education-related programs will receive nearly \$8 billion.

The full text of the Budget Revision and other information concerning the 2009-10 State budget may be found at the State Department of Finance website, [www.dof.ca.gov](http://www.dof.ca.gov).

#### The Proposed 2010-11 State Budget: May Revision

*The information in this section has been compiled from publicly available information through the State Department of Finance and the State Legislative Analyst’s Office. The District and the Underwriter do not assume any responsibility for the accuracy of such information as set forth or incorporated by reference herein, although they believe that the information provided by the above-listed sources is reliable.*

**Overview.** On January 8, 2010, the Governor released his proposed 2010-11 State budget. With billions of dollars of temporary budget solutions implemented in 2009-10 set to expire and the State economy recovering slowly, the Governor projected, at that time, a General Fund deficit of \$18.9 billion at the end of fiscal year 2010-11 without corrective action. The Governor declared a state of fiscal emergency on January 8, 2010, calling the State Legislature into special session to begin taking action on his proposed solutions. The solutions adopted in the special session, combined with additional federal funds and administrative actions, slightly reduced the size of the projected deficit.

In March 2010, additional payment deferrals from the State to K-12 school districts for fiscal year 2010-11 were enacted in a series of bills as part of legislation to provide additional cash management flexibility to the State (the “Cash Management Bills”). The Cash Management Bills authorize deferral of certain payments during fiscal year 2010-11 for school districts not to exceed \$2.5 billion in aggregate at any one time. Deferrals of payments to K-12 schools may be made in July 2010, October 2010 and March 2011, for not to exceed 60, 90 and 30 days, respectively, but depending on actual cash flow conditions at the time, the State Controller, State Treasurer and State Director of Finance may either accelerate or delay the deferrals up to 30 days, or reduce the amounts deferred. These deferrals replace the \$1.0 billion July 2009, \$1.5 billion August 2009 and \$1.0 billion November 2009 deferrals in place in fiscal year 2009-10. Certain school districts that can demonstrate hardship in procedures specified in the Cash Management Bills will not be subject to these deferrals.

On May 14, 2010, the Governor released his revision to the proposed 2010-11 State budget (the “2010-11 May Revision”). The Governor projected a General Fund deficit of \$17.9 billion by the end of fiscal year 2010-11 without corrective action; this figure is comprised of a fiscal year 2009-10 shortfall of \$7.7 billion and a fiscal year 2010-11 shortfall of \$10.2 billion. The 2010-11 May Revision includes \$19.1 billion in budget solutions for fiscal years 2009-10 and 2010-11 to create a \$1.2 billion reserve. Approximately 66% of the Governor’s budget solutions relies on program spending reductions, approximately 18% relies on funding or flexibility to be provided by actions of the federal government, approximately 11% consists of various fund shifts, some of which require voter approval, and less than 5% consists of new revenues.

The 2010-11 May Revision projects that the State will have sufficient cash to repay the entire \$8.8 billion of revenue anticipation notes in May and June 2010 as scheduled. In addition to budget solutions, the State will need to obtain external financing early in fiscal year 2010-11. Additional cash solutions may be required to reduce the need for external borrowing. At the Governor’s direction, the State Department of Finance has begun working with the State Controller’s Office and the State Treasurer’s Office to develop additional cash solutions as needed to meet the State’s financial obligations.

**The State General Fund.** State General Fund expenditures are proposed to be \$83.4 billion in fiscal year 2010-11 in the 2010-11 May Revision, a decrease of 3.5% from a revised fiscal year 2009-10 State General Fund expenditures estimate of \$86.5 billion. State General Fund revenues are proposed to be \$91.5 billion in fiscal year 2010-11, an increase of 5.7% from a revised fiscal year 2009-10 State General Fund revenues estimate of \$86.5 billion. The fiscal year 2010-11 year-end reserve is proposed to be \$1.2 billion, or 1.4% of the General Fund revenues.

The following table identifies historical and proposed State General Fund revenues and expenditures.

## State General Fund under the 2010-11 Proposed State Budget

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	2008-09 <u>Final</u> (Millions)	2009-10 <u>Estimated</u> (Millions)	2010-11 <u>Proposed</u> (Millions)
Prior-year Fund Balance	\$2,314	-\$5,361	-\$5,305
Revenues and Transfers	<u>82,772</u>	<u>86,521</u>	<u>91,451</u>
Total Resources Available	\$85,086	\$81,160	\$86,146
Expenditures	<u>90,940</u>	<u>86,465</u>	<u>83,404</u>
Ending Fund Balances	(\$5,855)	(\$5,30)	\$2,742
Encumbrances	<u>1,537</u>	<u>1,537</u>	<u>1,537</u>
Reserve	(\$7,391)	(\$6,842)	\$1,205

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Source: The State Legislative Analyst's Office

The \$19.1 billion of budget solutions for fiscal years 2009-10 and 2010-11 incorporated in the 2010-11 May Revision includes:

- Reducing Proposition 98 spending, including elimination of child care (\$4.3 billion)
- Reducing State employee pay and staffing, and shift pension costs of employees (\$2.1 billion)
- Eliminating CalWORKs program, which provides welfare-to-work services to low-income families (\$1.2 billion)
- Implementing various changes to Medi-Cal (\$0.9 billion)
- Reducing inmate medical care costs (\$0.8 billion)
- Reducing In-Home Support Services (\$0.8 billion)
- Reducing county mental health realignment funds by 60% (\$0.6 billion)
- Federal funding flexibility in Medi-Cal and other programs (\$3.4 billion)
- Loans, loan extensions, transfers and funding shifts (\$2.6 billion)
- Scoring additional revenues (\$0.9 billion)

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*Funding for Education: Proposition 98.* An overview of the State’s Proposition 98 funding under the 2010-11 May Revision appears in the following table.

### Proposition 98 Funding under the 2010-11 May Revision

	---- FY 2008-09 ----		---- FY 2009-10 ----		FY 2010-1
	Budget <u>Revision</u>	<u>Final</u>	Budget <u>Revision</u>	May <u>Revision</u>	May <u>Revision</u>
	(Millions)	(Millions)	(Millions)	(Millions)	(Millions)
K-12 Education	\$43,062	\$42,986	\$44,637	\$44,127	\$42,456
Community Colleges	5,934	5,929	5,669	5,683	5,898
Other Agencies	<u>106</u>	<u>105</u>	<u>112</u>	<u>93</u>	<u>89</u>
Total	\$49,102	\$49,019	\$50,418	\$49,903	\$48,442
General Fund	\$34,052	\$34,282	\$35,032	\$35,837	\$35,007
Local Property Taxes	\$15,050	\$14,737	\$15,386	\$14,066	\$13,435

Source: The State Legislative Analyst’s Office

Total Proposition 98 funding is expected to be \$49.9 billion in fiscal year 2009-10. The 2010-11 May Revision’s proposed Proposition 98 funding shows a reduction of approximately \$1.5 billion in fiscal year 2010-11 from revised 2009-10 levels (due in large to the proposed elimination of child care programs, with the exception of State preschool programs). The State General Fund’s share of Proposition 98 funding increases in fiscal year 2009-10 due to a decrease in local property tax revenues associated with the continued slump in the housing market and the removal of the one-time \$877 million contribution from redevelopment agencies in fiscal year 2009-10, as further discussed below.

*2009-10 Proposition 98 Changes.* As part of the fiscal year 2008-09 Budget Revision, the Proposition 98 funding level for fiscal year 2008-09 was certified at \$49.1 billion, and a future funding obligation of \$11.2 billion was established even if it was determined that no maintenance factor was created in 2008-09. Revenues in fiscal year 2008-09 were significantly lower than was estimated at the time the Proposition 98 funding level was certified, resulting in the Proposition 98 minimum funding level shifting to “Test 1” which does not create a maintenance factor, dropping the Proposition 98 minimum guarantee to \$46.8 billion.

The 2010-11 May Revision provides \$503 million more than the Governor’s estimate of the 2009-10 Proposition 98 minimum guarantee. The Governor counts this over-appropriation as a payment towards the \$11.2 billion statutory obligation (with subsequent payments to resume in 2011-12). The 2010-11 May Revision includes additional General Fund spending in 2009-10 to offset a decline in local property tax revenue (due primarily to the Governor’s decision to use \$877 million in one-time property tax revenues from redevelopment agencies to support other parts of the State budget). Largely because of this increase in General Fund spending, the State would now meet the 2009-10 federal maintenance-of-effort (“MOE”) requirements for K-12 education.

*2010-11 Proposition 98 Changes.* The 2010-11 May Revision’s proposed Proposition 98 funding shows a reduction of approximately \$1.5 billion in fiscal year 2010-11 from revised 2009-10 levels (due in large to the proposed elimination of child care programs, with the exception of State preschool programs). In 2010-11, the State would not meet its federal MOE requirement for K-12 education. The Governor proposes to “re-bench” the Proposition 98 minimum guarantee to reflect the elimination of child care services. The re-benching essentially reduces the 2010-11 minimum guarantee by an amount equal to Proposition 98 child-care spending in 2009-10, thereby in effect redefining expenditures counted towards Proposition 98 and the minimum percentage of General Fund revenues that the State must provide for Proposition 98 spending.

*Legislative Analyst’s Office Comments.* The State Legislative Analyst’s Office commented that the revenue and expenditure assumptions in the 2010-11 May Revision are realistic, though it noted that the State Legislature has placed an \$11 billion water bond proposal on the November 2010 ballot. It is anticipated that the ballot will include 10 initiatives; if approved by the voters, certain measures could improve the State budget situation, while others could reverse budget-balancing decisions. Further, the State Legislative Analyst’s Office expressed concerns regarding the legality of the proposed Proposition 98 re-benching and the ability of the State to support the proposed K-14 funding levels.

The full text of the 2010-11 May Revision may be found at the State Department of Finance website, [www.dof.ca.gov](http://www.dof.ca.gov), and the Legislative Analyst's Office overview of the 2010-11 May Revision may be found at [www.lao.ca.gov](http://www.lao.ca.gov).

### Future Budgets

The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools as budgeted. Continued State budget shortfalls in future fiscal years could have an adverse financial impact on the District.

For more information on the State Budget, please refer to the State Department of Finance's website at [www.dof.ca.gov](http://www.dof.ca.gov) and to the Legislative Analyst's Office's website at [www.lao.ca.gov](http://www.lao.ca.gov).

## CONSTITUTIONAL & STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES & EXPENDITURES

*Article XIII A.* In an election held on June 6, 1978, the voters of the State approved an initiative amendment to the State Constitution. The amendment added Article XIII A to the State Constitution, commonly known as Proposition 13, which limits the taxing powers of State public agencies. Except as described in the following paragraph, Article XIII A provides that the maximum *ad valorem* tax on real property cannot exceed one percent of the "full cash value" which is defined as the "county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment," subject to exceptions for certain circumstances of transfer or reconstruction. The "full cash value" is subject to annual adjustments to reflect increases not to exceed two percent per year, or decreases in the consumer price index or comparable local data, or to reflect reduction in property value caused by damage, destruction or other factors.

Article XIII A requires a vote of two-thirds of the qualified electorate to impose special taxes, and except as described in the following sentence, prohibits the imposition of any additional *ad valorem*, sales or transaction tax on real property. As amended by Proposition 46, on June 3, 1986, Article XIII A exempts from the one percent tax limitation *ad valorem* taxes required to pay debt service on indebtedness approved by the voters prior to July 1, 1978, or on bonded indebtedness approved by two-thirds of those voting thereon, after July 1, 1978, the proceeds of which are applied to the acquisition or improvement of real property.

*Proposition 39:* On November 7, 2000, voters within the State approved an amendment (commonly known as Proposition 39) to the State Constitution. This amendment (1) allows school facilities bond measures to be approved by 55 percent (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1 percent limit in order to repay the bonds, and (2) changes existing statutory law regarding charter school facilities. The local school jurisdictions affected by this proposition are K-12 school districts, including the District, community college districts, and county offices of education. The 55 percent vote requirement would apply only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure.

Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55 percent of the voters. These provisions require that the tax rate levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for a high school or elementary school district), or \$25 (for a community college district), per \$100,000 of taxable property value. The Governor can change these limitations with a majority vote of both houses of the Legislature and approval; unlike constitutional amendments, which may be changed only with another statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition.

Finally, Article XIII A requires the approval of two-thirds of all members of the State Legislature to change any State laws for the purpose of increasing tax revenues.

*Article XIII B.* In a special election held on November 6, 1979, the voters of the State approved an initiative constitutional amendment. This amendment added Article XIII B to the State Constitution. Article XIII B limits the annual appropriations of the State and of any city, county, school district, special district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity. The “base year” for establishing such appropriation limit is the 1978-79 fiscal year and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies.

Appropriations subject to Article XIII B include generally the proceeds of taxes levied by the State or by any other entity of local government, exclusive of certain State subventions, refunds or taxes, benefit payments from retirement, unemployment insurance and disability insurance funds but excludes taxes to pay voter approved bonds. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to an entity of government from (1) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), and (2) the investment of tax revenues. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. State law provides that in the event a school district's appropriations will exceed its limit, the district may assume from the State a portion of the State's appropriations limit.

*Proposition 98/111:* On November 8, 1988, voters of the State approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act.” Proposition 98 changed State funding of public education below the university level and the operation of the State’s appropriations limit, primarily by guaranteeing K-14 schools a minimum share of General Fund revenues. Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990, hereinafter defined as “Proposition 98/111”), K-14 schools are guaranteed the greater of (a) the percentage of General Fund revenues appropriated for school districts in Fiscal Year 1986-87 (“Test 1”); (b) the amount of State and local proceeds of taxes appropriated to K-14 schools in the prior year, adjusted for changes in the cost of living (measured as in Article XIII B by reference to State *per capita* personal income) and enrollment (“Test 2”); or (c) a third test, which would replace Test 2 in any year in which the percentage growth in State *per capita* personal income is greater than the percentage growth on *per capita* General Fund revenues plus one-half of one percent (“Test 3”).

Under Test 3, schools would receive the amount of State and local proceeds of taxes appropriated to K-14 schools in the prior year adjusted for changes in enrollment and *per capita* General Fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 would become a “credit” to schools which would be the basis of payments in future years when *per capita* General Fund revenue growth exceeds *per capita* personal income growth. Legislation adopted prior to the end of the 1988-89 Fiscal Year, implementing Proposition 98, determined the K-14 schools' funding guarantee under Test 1 to be 40.3% of the General Fund tax revenues, based on 1986-87 appropriations. However, that percentage has been adjusted to 34% to account for a subsequent redirection of local property taxes, since such redirection directly affects the share of General Fund revenues to schools.

Proposition 98/111 permits the Legislature by two-thirds vote of both houses, with the Governor's concurrence, to suspend the K-14 schools' minimum funding formula for a one-year period. This guarantee was suspended in 2004-05, initially with the agreement of the Education Coalition (an alliance of major education interest groups), and effectively reduced the amount schools received by \$2 billion. The Legislature ratified the suspension in Senate Bill 1101. However, the Education Coalition agreed to the suspension under the terms that Proposition 98 funding would be reduced for only one year, the year of the State budget crisis, by a maximum of \$2 billion; and if the situation were to improve, funding would be restored. But when the State’s finances did improve, funding was not restored to the same level it at which it would have been, had the suspension not occurred. Subsequently, the State Superintendent of Public Instruction Jack O’Connell filed a lawsuit jointly with the California Teachers Association against Governor Arnold Schwarzenegger over this loss in Proposition 98 funding. On May 10, 2006, the two sides reached an agreement whereby, in effect, the State would repay all losses incurred due to the suspension, with payments to be made annually through 2013-14.

Since Proposition 98/111 is unclear in some details, there can be no assurance that the Legislature or a court might not interpret it to require a different percentage of General Fund revenues to be allocated to K-14 districts or to apply the relevant percentage to the State's budget in a different way. Proposition 98/111 may place increasing pressure on the State's budget in future years, potentially reducing resources available for other State programs, especially to the extent that the Article XIII B spending limit would restrain the State's ability to fund these other programs by raising taxes.

Proposition 98/111 also changes how tax revenues in excess of the State’s appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 districts. Such

transfer would be excluded from the appropriations limits for K-14 districts and the K-14 schools' appropriations limits for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIIB surplus. The maximum amount of excess tax revenues which could be transferred to schools is four percent of the minimum State spending for education mandated by Proposition 98/111, as described above.

*Proposition 1A.* On November 2, 2004, California voters approved Proposition 1A amending the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State may not reduce any local sales tax rates or alter the method of allocation, shift property taxes from local governments to schools or community colleges, make changes in how property taxes revenues are shared among local governments without two-thirds approval of both house of the State Legislature, and decrease vehicle license fees without providing local governments with equal replacement funding.

Under Proposition 1A, beginning in fiscal year 2008-09, the State may divert no more than eight percent of local property tax revenues for State purposes (including but not limited to funding K-12 education) only if: (i) the Governor declares such action to be necessary due to a State fiscal emergency, (ii) two-thirds approval of both houses of the State Legislature, (iii) the amount diverted is required to be repaid within three years, and (iv) certain other conditions are met.

*Article XIIC and Article XIID.* On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIC and XIID to the State Constitution, which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges. Among other things, Article XIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes); prohibits special purpose government agencies such as school districts from levying general taxes except as allowed by Article XIIA; and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote. Article XIID also provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIA of the State Constitution and special taxes approved by a two-thirds vote under Article XIIA, Section 4.

Article XIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The State Constitution and the laws of the State impose a duty on the county treasurer/tax collector (of each county) to levy a property tax sufficient to pay debt service on general obligation bonds coming due in each year. Legislation adopted in 1997 provides that Article XIIC will not be construed to mean that any Owner or Owner of a municipal security assumes the risk of or consents to any initiative measure, which would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Article XIID deals with assessments and property-related fees and charges. Article XIID explicitly provides that nothing in Article XIIC or XIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by school districts.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

*Possible Future Actions.* Article XIIA, Article XIIB and Propositions 46, 39, 98, 111, 1A and 218 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting K-14 school districts' revenues or such districts' ability to expend revenues. There is no assurance that the State electorate or Legislature will not at some future time approve additional limitations which could reduce property or other tax revenues and adversely affect the revenues of school districts or require additional expenditures.

## LEGAL MATTERS

### No Litigation

There is no action, suit or proceeding known to be pending or threatened restraining or enjoining the sale and delivery of the Bonds, or in any way contesting or affecting the validity thereof or any proceeding of the District taken with respect to the

issuance or sale of the Bonds, or the pledge or application of moneys or security provided for the payment of the Bonds, or the authority of the County to levy property taxes to pay principal and interest on the Bonds when due.

### Legal Opinion

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Kronick, Moskovitz, Tiedemann & Girard, A Professional Corporation, Sacramento, California, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is set forth in "APPENDIX C" to this Official Statement. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

### Tax Matters

In the opinion of Bond Counsel, based upon an analysis of existing statutes, regulations, rulings, and court decisions, and assuming, among other things, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. Bond Counsel is also of the opinion that interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations; nor is such interest taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

The Internal Revenue Code of 1986, as amended (the "Code") imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has covenanted to comply with certain restrictions designed to assure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in federal gross income, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of interest on the Bonds.

Although Bond Counsel expects to render an opinion that interest on the Bonds is excludable from gross income for federal income tax purposes and exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Beneficial Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

In addition, no assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal or State income taxation, or otherwise prevent Beneficial Owners of the Bonds from realizing the full current benefit of the tax status of such interest. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal or State tax legislation. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the Internal Revenue Service ("IRS"), including but not limited to regulation, ruling, or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds, or obligations that present similar tax issues, will not affect the market price or liquidity of the Bonds.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as "APPENDIX C—FORM OF OPINION OF BOND COUNSEL."

### Legality for Investment

Under provisions of the California Financial Code, the Bonds are legal investments for commercial banks in California to the extent that the Bonds, in the informed opinion of the investing bank, are prudent for the investment of funds of depositors. Under provisions of the California Government Code, the Bonds are eligible to secure deposits of public moneys in California.

## RATING

Standard & Poor's Financial Services LLC ("S&P"), a subsidiary of The McGraw-Hill Companies, Inc., has assigned a municipal bond rating of "AA-" to the Bonds. Such rating reflects only the views of such organization and an explanation of the significance of such rating may be obtained from S&P at the following address: Standard & Poor's Financial Services LLC, 55 Water Street, New York, New York 10041. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

## FINANCIAL ADVISOR

Government Financial Strategies inc. has been employed by the District to perform financial advisory services in relation to the sale and delivery of the Bonds. Government Financial Strategies inc., in its capacity as financial advisor, has read and participated in drafting certain portions of this Official Statement. Government Financial Strategies inc. has not, however, independently verified nor confirmed all of the information contained within this Official Statement. Government Financial Strategies inc. will not participate in the underwriting of the Bonds. Fees charged by Government Financial Strategies inc. are not contingent upon the sale of the Bonds.

## INDEPENDENT AUDITOR

The financial statements of the District as of and for the year ending June 30, 2009, have been audited by Goodell, Porter, Sanchez & Bright, LLP CPAs, Sacramento, California. Selected information concerning the financial statements of the District as of and for the year ended June 30, 2009, are set forth in "APPENDIX A" attached hereto. The auditor has not performed any subsequent events review or other procedures relative to these audited financial statements since the date of its letter. Complete copies of past and current financial statements may be obtained from the District.

## UNDERWRITING AND INITIAL OFFERING PRICE

The Bonds were sold to Robert W. Baird & Co., Inc. (the "Underwriter") pursuant to a bond purchase agreement by and among the District and the Underwriter for \$17,509,829.66, equal to the principal amount of the Bonds, plus an original issue premium of \$452,574.90, less an underwriting discount of \$242,7745.24 (of which \$85,400 will be used to pay costs of issuance of the Bonds), at a true interest cost (TIC) to the District of 4.593702%.

The Underwriter has certified the initial offering prices or yields stated on the inside cover page to this Official Statement. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices. The reoffering prices may be changed from time to time by the Underwriter.

## CONTINUING DISCLOSURE

The District has covenanted for the benefit of the holders and Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report"), by not later than April 15 of each year, commencing with the report for the 2009-10 fiscal year (which is due no later than April 15, 2011), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and any notices of material events will be filed by the District with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX B—FORM OF

CONTINUING DISCLOSURE CERTIFICATE”. These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5) (the “Rule”). Within the past five years, the District has not failed to comply in all material respects with all previous undertakings with regard to said Rule to provide annual reports or notices of material events.

#### ADDITIONAL INFORMATION

Additional information concerning the District, the Bonds or any other matters concerning the sale and delivery of the Bonds may be obtained by contacting the District through the Associate Superintendent, Business Services at the address and telephone number set forth on page “iii” of this Official Statement, or by contacting Government Financial Strategies inc. at the address and telephone number set forth on page “iii” of this Official Statement.

The execution and delivery of this Official Statement by the District has been duly authorized by its governing board.

El Dorado Union High School District

By: /s/ Sherry J. Smith  
Superintendent

APPENDIX A

THE BASIC FINANCIAL STATEMENTS OF THE DISTRICT AS OF AND FOR THE YEAR ENDING JUNE 30, 2009

EL DORADO UNION HIGH SCHOOL DISTRICT  
COUNTY OF EL DORADO  
PLACERVILLE, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2009

EL DORADO UNION HIGH SCHOOL DISTRICT

JUNE 30, 2009

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## FINANCIAL SECTION

GOODELL,  
PORTER,  
SANCHEZ &  
BRIGHT, LLP

C E R T I F I E D  
P U B L I C  
A C C O U N T A N T S

JOHN L. GOODELL, CPA  
VIRGINIA K. PORTER, CPA  
BEVERLY A. SANCHEZ, CPA  
SUZY H. BRIGHT, CPA  
RICHARD J. GOODELL, CPA

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Education  
El Dorado Union High School District  
Placerville, California

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the El Dorado Union High School District as of and for the year ended June 30, 2009, 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 an opinion 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; and the provisions of *California Code of Regulations* Title 5 Education, Section 19810, and following. 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 Dorado Union High School District as of June 30, 2009 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting or on compliance and the results of that testing, and not to provide an opinion on the internal controls over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on page 3 through 12 and the budgetary comparison information on page 46 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 El Dorado Union High School District's basic financial statements. The accompanying statistical schedules and combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of El Dorado Union High School District. The statistical schedules, the schedule of expenditures of federal awards and the combining non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Goode, Porter, Sanchez & Bright, LLP*  
GOODELL, PORTER, SANCHEZ & BRIGHT, LLP  
Certified Public Accountants

December 1, 2009

EL DORADO UNION HIGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

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The discussion and analysis of El Dorado Union High School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial performance, please read it in conjunction with the Independent Auditor's Report on page 1, notes to the basic financial statements and the District's financial statements, as listed in the table of contents.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999.

#### **FINANCIAL HIGHLIGHTS**

- General Fund revenues and other sources exceeded expenditures and other uses by \$2,319,481 ending the year with a fund balance of \$13,567,258, and available reserves of \$8,036,287, higher than the State recommended reserve level of 3%.
- The total of the District's fixed assets, land, site, buildings, and equipment, valued on an acquisition cost basis was \$117.1 million. After depreciation, the June 30, 2009 book value for fixed assets totaled \$87.1 million.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

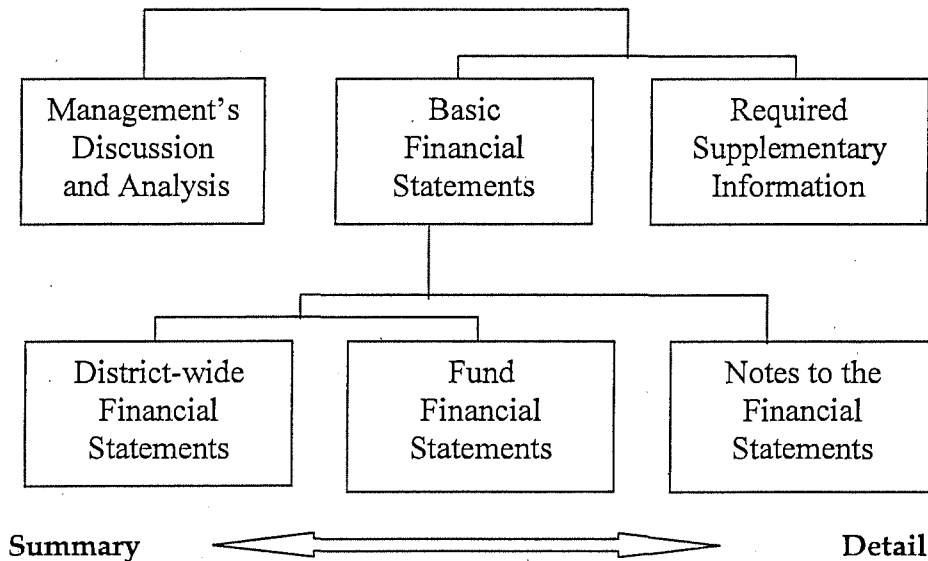
This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the El Dorado Union High School District as a financial whole; an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

EL DORADO UNION HIGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

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OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Components of the Financial Section



The first two statements are *district-wide financial statements*, the Statement of Net Assets and Statement of Activities. These statements provide information about the activities of the whole School District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's more significant funds with all other non-major funds presented in total in one column. A comparison of the District's general fund budget is included.

EL DORADO UNION HIGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

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**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Components of the Financial Section (Concluded)**

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

**Reporting the School District as a Whole**

*Statement of Net Assets and the Statement of Activities*

These two statements provide 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 District's assets and liabilities using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the district as a whole and its activities in a way that helps answer the question, "How did we do financially during 2008-09?"

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Over time, the increases or decreases in the District's net assets, as reported in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities. One must consider many other non-financial factors, such as the quality of education provided and the safety of the schools to assess the overall health of the District.

- ◆ Increases or decreases in the net assets of the District over time are indications of whether its financial position is improving or deteriorating, respectively.
- ◆ Additional non-financial factors such as condition of school buildings and other facilities, and changes to the property tax base of the District need to be considered in assessing the overall health of the District.

EL DORADO UNION HIGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

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**OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)**

**Reporting the School District's Most Significant Funds**

*Fund Financial Statements*

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by State law. However, the District establishes other funds to control and manage money for specific purposes.

◆ **Governmental Funds**

Most of the School District's activities are reported in governmental funds. The major governmental funds of the District are the General Fund, Building Fund and County School Facilities Fund. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They are reported using an accounting method called modified accrual 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 operations and services that help 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**

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary 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 the assets reported in these funds are used for their intended purposes.

EL DORADO UNION HIGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS**

*The School District as a Whole*

The District's net assets were \$74.2 million at June 30, 2009. Of this amount \$15.1 million was restricted. Investments in capital assets, net of related debt, account for \$45.6 million of the total net assets. A comparative analysis of government-wide data is presented in Table 1.

(Table 1)  
**Comparative Statement of Net Assets**

	Governmental Activities	
	2009	2008
<b>Assets</b>		
Cash and Investments	\$ 51,855,832	\$ 28,625,599
Receivables	7,142,444	16,384,750
Prepaid expenses	526,257	518,894
Stores inventory	6,849	4,763
Capital assets	87,186,569	65,437,660
Total assets	<u>\$ 146,717,951</u>	<u>\$ 110,971,666</u>
<b>Liabilities</b>		
Deficit cash	\$ 439,790	\$ 1,507,018
Accounts payable and other current liabilities	3,626,846	2,433,205
Deferred revenue	153,986	143,279
Long-term liabilities	68,277,188	36,908,051
Total liabilities	<u>\$ 72,497,810</u>	<u>\$ 40,991,553</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	\$ 45,605,900	\$ 29,156,650
Restricted	15,063,011	31,927,391
Unrestricted	13,551,230	8,896,072
Total net assets	<u>\$ 74,220,141</u>	<u>\$ 69,980,113</u>

EL DORADO UNION HIGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)**

The District's net asset position increased \$4.2 million this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 75% of total expenses. The purely administrative activities of the District accounted for just 5% of total costs. The remaining 20% was spent in the areas of plant services and other expenses, interest on long-term debt and other outgo. (See Figure 2).

(Table 2)  
**Comparative Statement of Change in Net Assets**

	Governmental Activities	
	2009	2008
<b>Revenues</b>		
Program revenues	\$ 16,338,107	\$ 28,878,496
General revenues		
Taxes levied for general purposes	27,880,360	27,224,367
Taxes levied for other specific purpose	897	974
Taxes levied for debt service	1,098,879	1,160,323
Federal and State Aid not restricted to specific purposes	18,955,733	21,447,537
Interest and investment earnings	978,516	1,013,472
Miscellaneous	2,741,550	2,626,144
Interagency revenues	80,195	81,074
Total revenues	<u>68,074,237</u>	<u>82,432,387</u>
<b>Expenses</b>		
Instruction	33,330,060	34,970,983
Instruction related services	6,758,762	7,272,950
Pupil support services	7,830,563	7,624,739
General administration	3,330,044	3,622,037
Plant services	5,960,947	6,035,729
Other	6,623,833	6,790,926
Total expenses	<u>63,834,209</u>	<u>66,317,364</u>
Increase in net assets	<u>\$ 4,240,028</u>	<u>\$ 16,115,023</u>

EL DORADO UNION HIGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

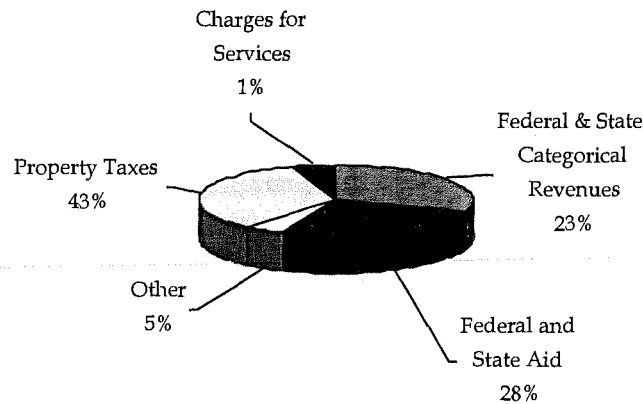
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**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONCLUDED)**

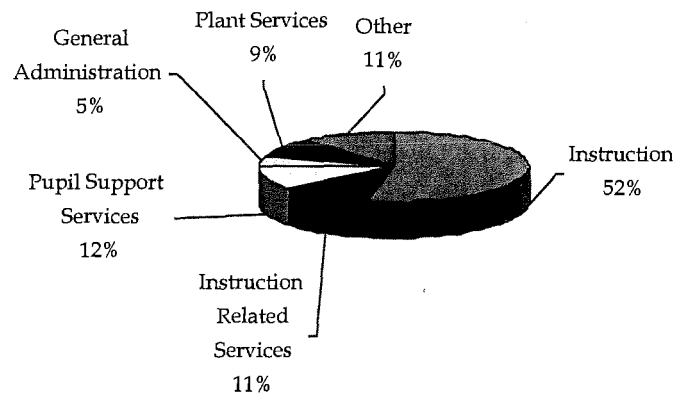
**Governmental Activities**

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was \$63.8 million. The amount that our local taxpayers financed for these activities through property taxes was \$28.9 million. Federal and State aid not restricted to specific purposes totaled \$18.9 million. State and Federal Categorical revenue totaled over \$16.3 million, or 23% of the revenue of the entire District (See Figure 1).

**Sources of Revenue for the 2008-09 Fiscal Year  
Figure 1**



**Expenses for the Fiscal Year 2008-09  
Figure 2**



EL DORADO UNION HIGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

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## **FINANCIAL ANALYSIS OF THE FUND STATEMENTS**

The fund financial statements focus on individual parts of the District's operations in more detail than the government-wide statements. The District's individual fund statements provide information on inflows and outflows and balances of spendable resources. The District's Governmental Funds reported a combined fund balance of \$56.3 million, an increase of \$14 million from the previous fiscal year's combined ending balance of \$42.1 million. This increase is mainly reflected in the major funds. The Building Fund balance increased \$25.9 million.

### **General Fund Budgetary Highlights**

Over the course of the year, the District revised the annual operating budget monthly. The significant budget adjustments fell into the following categories:

- ◆ Budget revisions to the adopted budget required after approval of the State budget.
- ◆ Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments.
- ◆ Budget revisions approved throughout the year resulted in increases to Capital Outlay primarily for new construction and modernization projects.
- ◆ Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

The final revised budget for the General Fund reflected a net decrease to the ending balance of \$2.2 million.

The District ended the year with \$13.6 million in the General Fund ending balance, of which \$1.8 million is designated as the reserve for economic uncertainties. The remaining balance is made up of restricted, designated, and undesignated fund balances. The State recommends an ending reserve for economic uncertainties of 3 percent. The District's ending reserve was 13.8%.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

By the end of the 2008-09 fiscal year, the District had invested \$117.1 million in a broad range of capital assets, including school buildings, athletic facilities, administrative buildings, site improvements, vehicles, and equipment. The capital assets net of depreciation were \$87.1 million at June 30, 2009, which is an increase of \$21,748,909 from the previous year.

EL DORADO UNION HIGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

**Capital Assets (Concluded)**

Table 3  
Comparative Schedule of Capital Assets  
(net of depreciation)  
June 30, 2009 and 2008

	2009	2008	Difference
Land	\$ 3,518,854	\$ 3,518,854	
Site Improvement	3,766,425	3,004,294	\$ 762,131
Buildings	52,426,531	53,208,558	(782,027)
Machinery & Equipment	2,915,837	1,886,970	1,028,867
Work In Progress	24,558,922	3,818,984	20,739,938
Total	<u>\$ 87,186,569</u>	<u>\$ 65,437,660</u>	<u>\$ 21,748,909</u>

The primary increase in capital assets occurred in construction projects in progress at June 30, 2009 for new buildings and modernization of existing buildings.

**Long-Term Debt**

At June 30, 2009, the District had \$68.2 million in long-term debt outstanding.

Table 4  
Comparative Schedule of Outstanding Debt  
June 30, 2009 and 2008

	2009	2008
General Obligations Bonds	\$ 46,340,000	\$ 12,920,000
Certificates of Participation	19,650,000	21,740,000
Capital Lease Obligations	1,811,237	1,952,228
Compensated Absences	334,951	295,823
Other Postemployment Benefits	141,000	
Total	<u>\$ 68,277,188</u>	<u>\$ 36,908,051</u>

EL DORADO UNION HIGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

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**CAPITAL ASSET AND DEBT ADMINISTRATION (CONCLUDED)**

**Long-Term Debt (Concluded)**

The District continues to maintain excellent credit ratings on all of its debt issues. The S&P underlying rating for the General Obligation Bonds issued in 2008 was AA-. The S&P insured rating for the General Obligation Bonds issued in 2008 was AAA.

The long-term debt paid by the District was approximately \$2.8 million in 2008-09.

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

The State's economic condition is a major factor affecting the District's future. The financial well being of the District is tied in large measure to the state funding formula. Furthermore, the State's current year budget does not fully address its budget problem, so it is anticipated that future years will not see schools as well funded as the current year.

The District's enrollment increased this year. For 2009-10 the District has declining enrollment and predicts a decline for the next several years. The District does not expect to return to the current enrollment until 2018-2019. Student enrollment and attendance are primary factors in the computation of most funding formulas for public schools in the State of California. As the District enrollment declines we lose State revenue but do not lose expenses at the same rate.

Even with an increase in ADA during 2008-2009, the continued problems with the State's economic condition and the continued aging of the District's capital assets indicate the District must continue to be diligent while using District resources. The future of the District's fiscal health requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Stephen H. Luhrs, CPA, Associate Superintendent of Business of the El Dorado Union High School District at [SLUHRS@eduhsd.k12.ca.us](mailto:SLUHRS@eduhsd.k12.ca.us).

## EL DORADO UNION HIGH SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

JUNE 30, 2009

		Governmental Activities
<u>ASSETS</u>		
Cash (Note 2)	\$	46,608,685
Investments (Note 2)		5,247,147
Accounts Receivable (Note 4)		7,142,444
Stores Inventory (Note 1H)		6,849
Prepaid Expenses (Note 1H)		526,257
Total Capital Assets, Net of Depreciation (Note 6)		87,186,569
Total Assets	\$	<u>146,717,951</u>
<u>LIABILITIES</u>		
Deficit Cash (Note 2)	\$	439,790
Accounts Payable and Other Current Liabilities		3,626,846
Deferred Revenue (Note 1H)		153,986
Long-term Liabilities (Note 7):		
Due Within One Year	\$	4,936,687
Due After One Year		<u>63,340,501</u>
Total Long-term Liabilities		68,277,188
Total Liabilities	\$	<u>72,497,810</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$	45,605,900
Restricted For:		
Capital Projects		11,958,602
Debt Service		3,104,409
Unrestricted		<u>13,551,230</u>
Total Net Assets	\$	<u>74,220,141</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO UNION HIGH SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

Governmental Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Instruction	\$ 33,330,060	\$ 447,772	\$ 7,304,650	\$ 264,570	\$ (25,313,068)
Instruction-related services:					
Supervision of instruction	1,586,144	150,450	867,837		(567,857)
Instructional library, media and technology	688,282		58,229		(630,053)
School site administration	4,484,336	27,506	304,230		(4,152,600)
Pupil Services:					
Home-to school transportation	1,871,497	223,558	1,076,472		(571,467)
Food services	1,633,330	1,329,317	436,785		132,772
All other pupil services	4,325,736	46,449	1,137,621		(3,141,666)
General administration:					
All other general administration	3,330,044	105,003	304,231		(2,920,810)
Plant services	5,960,947	16,160	415,663		(5,529,124)
Ancillary services	492,638	20,884	8,264		(463,490)
Community services	34,817		143		(34,674)
Interest on long-term debt	1,728,266				(1,728,266)
Other Outgo	1,937,176	477,139	1,315,174		(144,863)
Depreciation (unallocated)	2,430,936				(2,430,936)
Total Governmental Activities	\$ 63,834,209	\$ 2,844,238	\$ 13,229,299	\$ 264,570	(47,496,102)

General Revenues:

Property Taxes Levied For:

    General Purposes

27,880,360

    Taxes Levied for Debt Service

1,098,879

    Taxes Levied for Other Specific Purposes

897

Federal and State Aid not Restricted

    to Specific Purposes

18,955,733

Interest and Investment Earnings

978,516

Interagency Revenues

80,195

Miscellaneous

2,741,550

Total General Revenue

51,736,130

Change in Net Assets

4,240,028

Net Assets Beginning

69,980,113

Net Assets Ending

\$ 74,220,141

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO UNION HIGH SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	General	Building	County School Facilities	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash in County Treasury (Note 2)	\$ 8,552,353		\$ 5,151,193	\$ 3,840,064	\$ 17,543,610
Cash in Revolving Fund (Note 2)	16,615			3,385	20,000
Cash with Fiscal Agent (Note 2)		\$ 27,000,000		2,045,075	29,045,075
Investments (Note 2)				5,247,147	5,247,147
Accounts Receivable (Note 4)	6,087,485	101,852		953,107	7,142,444
Due From Other Funds (Note 5)	3,682		646,282	447,531	1,097,495
Stores Inventory (Note 1H)	6,849				6,849
Prepaid Expenses (Note 1H)	526,257				526,257
Total Assets	<u>\$ 15,193,241</u>	<u>\$ 27,101,852</u>	<u>\$ 5,797,475</u>	<u>\$ 12,536,309</u>	<u>\$ 60,628,877</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Deficit Cash (Note 2)		\$ 194,877		\$ 244,913	\$ 439,790
Accounts Payable	\$ 1,024,668	47,553	\$ 1,451,784	49,937	2,573,942
Due to Other Funds (Note 5)	447,531	638,854		11,110	1,097,495
Deferred Revenue (Note 1H)	153,784			202	153,986
Total Liabilities	<u>1,625,983</u>	<u>881,284</u>	<u>1,451,784</u>	<u>306,162</u>	<u>4,265,213</u>
Fund Balances (Note 1H):					
Reserved	549,721			923,197	1,472,918
Unreserved:					
Designated	6,786,250	26,220,568	4,345,691	7,501,313	44,853,822
Undesignated	6,231,287			3,805,637	10,036,924
Total Fund Balances	<u>13,567,258</u>	<u>26,220,568</u>	<u>4,345,691</u>	<u>12,230,147</u>	<u>56,363,664</u>
Total Liabilities and Fund Balances	<u>\$ 15,193,241</u>	<u>\$ 27,101,852</u>	<u>\$ 5,797,475</u>	<u>\$ 12,536,309</u>	<u>\$ 60,628,877</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO UNION HIGH SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2009

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Total fund balance – governmental funds \$ 56,363,664

Amounts reported for governmental activities in the  
statement of net assets are different 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.

\$ 117,166,593  
(29,980,024)

87,186,569

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 unmatrued interest owing at the end of the period was:

(1,052,904)

Long-term liabilities are not due and payable in the current  
period and therefore are not reported as liabilities in the  
funds. Long-term liabilities at year-end consist of:

General obligation bonds payable	\$ 46,340,000
Compensated absences payable	334,951
Capital leases payable	1,811,237
Certificates of participation payable	19,650,000
Other postemployment benefits	<u>141,000</u>

(68,277,188)

Total net assets-governmental activities \$ 74,220,141

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO UNION HIGH SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	General	Building	County School Facilities	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Revenue Limit Sources:					
State Apportionments	\$ 17,348,583			\$ 275,150	\$ 17,623,733
Local Sources	26,902,156			398,505	27,300,661
Total Revenue Limit	44,250,739			673,655	44,924,394
Federal Revenue	4,332,606			495,263	4,827,869
Other State Revenue	7,268,497		\$ 264,570	636,006	8,169,073
Other Local Revenue	4,485,047	\$ 480,866	124,556	5,059,018	10,149,487
Total Revenues	60,336,889	480,866	389,126	6,863,942	68,070,823
<b>EXPENDITURES</b>					
Certificated Salaries	28,910,626			484,954	29,395,580
Classified Salaries	9,279,806	33,040		1,059,776	10,372,622
Employee Benefits	9,580,825	3,255		419,115	10,003,195
Books and Supplies	2,882,136	1,733,283	390,260	736,098	5,741,777
Services and Other					
Operating Expenditures	4,345,609	400		739,342	5,085,351
Capital Outlay	47,430	5,815,905	15,255,634	12,251	21,131,220
Debt Service:					
Principal Retirement	140,991			2,670,000	2,810,991
Interest and Fiscal Charges	14,545	5,799		1,325,139	1,345,483
Other Outgo	1,819,143			115,833	1,934,976
Total Expenditures	57,021,111	7,591,682	15,645,894	7,562,508	87,821,195
Excess of Revenues Over (Under) Expenditures	3,315,778	(7,110,816)	(15,256,768)	(698,566)	(19,750,372)
Other Financing Sources (Uses):					
Operating Transfers In (Note 5)	20,949		7,255,980	3,901,995	11,178,924
Operating Transfers Out (Note 5)	(1,017,246)	(999,834)	(15,297)	(9,146,547)	(11,178,924)
Other Sources		34,000,000		556	34,000,556
Total Other Financing Sources (Uses)	(996,297)	33,000,166	7,240,683	(5,243,996)	34,000,556
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	2,319,481	25,889,350	(8,016,085)	(5,942,562)	14,250,184
Fund Balances - July 1, 2008	11,247,777	331,218	12,361,776	18,172,709	42,113,480
Fund Balances - June 30, 2009	\$ 13,567,258	\$ 26,220,568	\$ 4,345,691	\$ 12,230,147	\$ 56,363,664

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO UNION HIGH SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009

Net change in fund balances - Total governmental funds		\$14,250,184
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlay: In governmental funds, the cost of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay:	\$24,454,217	
Depreciation expense:	<u>(2,430,936)</u>	
		22,023,281
Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:		(34,000,000)
Donated capital assets: In governmental funds, donated capital assets are not reported because they do not affect current financial resources. In the government-wide statements, donated capital assets are reported as revenue and as increases to capital assets, at their fair market value on the date of donation. The fair market value of capital assets donated was:		5,000
Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:		(279,372)
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:		2,810,991
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the governmental-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:		(389,928)
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:		(39,128)
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:		<u>(141,000)</u>
Total change in net assets-governmental activities		<u>\$ 4,240,028</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO UNION HIGH SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2009

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	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash in Hand and in Bank (Note 2)	\$ 696,311
 Total Assets	 \$ 696,311
<u>LIABILITIES</u>	
Liabilities:	
Due to Student Groups	\$ 696,311
 Total Liabilities	 \$ 696,311
<u>NET ASSETS</u>	
 Total Net Assets	 \$ 0

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District includes all funds that are controlled by or dependent on the District's governing board for financial reporting purposes. The District has considered all potential component units in determining how to define the reporting entity, using criteria set forth in accounting principles generally accepted in the United States of America. The District determined the El Dorado Union High School District Public Financing Facilities Corporation (the Corporation) meets the criteria for inclusion within the reporting entity. The Corporation's financial activity is presented in the financial statements as the Financing Corporation Debt Service Fund. Certificates of Participation issued by the Corporation are included in long-term liabilities in the government-wide financial statements.

The District and the El Dorado School Financing Community Facilities District No. 1 (the Agency) have a financial and operational relationship, which meets the reporting entity definition criteria for inclusion of the Agency as a component unit of the District. Accordingly, the financial activities of the Agency are reported as a non-major fund in the financial statements of the District.

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District and its component units.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation(Concluded)

Government-wide Financial Statements (Concluded):

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the district's governmental activities. Direct 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 goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Revenues - exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Expenses/expenditures:

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, non-major and fiduciary funds as follows:

MAJOR GOVERNMENTAL FUNDS:

1. General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
2. The Building Fund is used to account for the renovation, modernization, and new construction of major governmental capital facilities and buildings from the proceeds of the sale of general obligation bonds.
3. County School Facilities Fund is used to account for the State allocation and District matches and related expenditures made for modernization, new construction and hardship projects.

NON-MAJOR GOVERNMENTAL FUNDS:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains five non-major special revenue funds:

1. Shenandoah Charter School Fund was established to account for the Charter School activity.
2. Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.
3. Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeteria program.

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

NON-MAJOR GOVERNMENTAL FUNDS (CONCLUDED):

4. Deferred Maintenance Fund is used for the purpose of major repairs or replacement of District property. The fund includes amounts received from state apportionments and District matching funds to provide additional resources for repairs and replacement of District property.
5. Special Reserve Fund for Other Post Employment Benefits was established to account for amounts the District has earmarked for the future cost of retiree benefits but has not contributed irrevocably to a separate trust for the retiree benefit plan.

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains two non-major capital projects funds:

1. Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).
2. Capital Project Fund for Blended Component Units is used to account for resources received from assessments levied against the Community Facilities District No. 1 formed pursuant to the Mello-Roos Community Facilities Act of 1982.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs. The District maintains two non-major debt service funds:

1. Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, District bonds, interest and related costs.
2. Financing Corporation - Debt Service Fund is used to account for the collection of special taxes for the payment of principal and interest on the Certificates of Participation.

FIDUCIARY FUNDS:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains student body funds, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body.

The amounts reported for student body funds represent the combined totals of all schools within the District.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's Board of Education and District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund as required supplementary information in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account (see Note 3).

The District did not adopt budgets for the Capital Project Fund for Blended Component Units, the Bond Interest and Redemption Fund and the Financing Corporation - Debt Service Fund in 2008-2009.

F. Encumbrances

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

G. 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.

H. Assets, Liabilities and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation.

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

1. Deposits and Investments (Concluded)

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

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

Investments Valuation - In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. However, the District's financial statements do not reflect the fair value of investments as the differences between total investment cost and fair value has been determined to be immaterial.

2. Stores Inventory and Prepaid Expenditures

Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and are charged as expenditures when used. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District's central warehouse inventory and cafeteria inventory valuation is First-in-First-out (FIFO).

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure in the period it benefits.

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over an estimated useful life of 5-50 years depending on the asset class.

4. Deferred Revenue

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

5. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

7. Net Assets

In the government-wide financial statements, net assets are classified in the following categories:

## EL DORADO UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)H. Assets, Liabilities and Equity (Continued)7. Net Assets (Concluded)

Invested in Capital Assets, net of Related Debt - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets".

8. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to apply restricted net assets first.

9. Fund Balance Reserves and Designations

The District's fund balances at June 30, 2009 consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	Other Governmental Fund	Total
Reserved For:					
Revolving Fund	\$ 16,615			\$ 3,385	\$ 20,000
Stores Inventory	6,849				6,849
Prepaid Expenses	526,257				526,257
Debt Service				919,812	919,812
Unreserved:					
Designated for:					
Economic Uncertainties	1,805,000			138,958	1,943,958
Other Program Carryovers	4,981,250			49,911	5,031,161
Capital Projects Funds		\$ 26,220,568	\$ 4,345,691	7,312,444	37,878,703
Undesignated, Reported in:					
General Fund	6,231,287				6,231,287
Special Revenue Funds				1,621,040	1,621,040
Debt Service Funds				2,184,597	2,184,597
Total Fund Balances	<u>\$ 13,567,258</u>	<u>\$ 26,220,568</u>	<u>\$ 4,345,691</u>	<u>\$ 12,230,147</u>	<u>\$ 56,363,664</u>

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

H. Assets, Liabilities and Equity (Concluded)

9. Fund Balance Reserves and Designations (Concluded)

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

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

10. Revenue Limit/Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

The California Department of Education reduces the District's entitlement by the District local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

The District's Base Revenue Limit is the amount of general-purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 2 - CASH AND INVESTMENTS

A. Cash and Investments

The District had the following cash and investments at June 30, 2009

	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Quality Rating</u>
<u>Cash</u>			
Cash on Hand and in Bank	\$ 696,311	\$ 696,311	Not Rated
Cash in Revolving Fund	20,000	20,000	Not Rated
Cash in County Treasury (net of \$439,790 deficit cash)	17,105,650	17,103,820	Not Rated
Cash with Fiscal Agent	2,045,075	2,045,075	Not Rated
Local Agency Investment Fund (LAIF)	<u>27,035,228</u>	<u>27,000,000</u>	Not Rated
Total Cash	<u>46,902,264</u>	<u>46,865,206</u>	
<u>Investments</u>			
Wells Fargo Government- Money Market Service #743	14,782	14,782	AAA
Wells Fargo 100% Treasury- Money Market Service #008	3,097,633	3,097,633	AAA
FSA Capital Management Services, LLC Agreement #00452A	705,232	705,232	AAA
MBIA Inc. #1317, IA 4.853%	<u>1,429,500</u>	<u>1,429,500</u>	AAA
Total Investments	<u>5,247,147</u>	<u>5,247,147</u>	
Total Cash and Investments	<u>\$ 52,149,411</u>	<u>\$ 52,112,353</u>	

The following is a summary of cash and investments at June 30, 2009:

<u>Governmental Activities</u>	<u>Fiduciary Funds Statement of Net Assets</u>	<u>Total</u>
<u>\$51,416,042</u>	<u>\$696,311</u>	<u>\$52,112,353</u>

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

B. Cash

Cash in Banks and in Revolving Fund

Cash balances in banks and revolving funds are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). These amounts are held within various financial institutions. As of June 30, 2009 the carrying amount of the District's accounts was \$716,311.

Cash with Fiscal Agent

Cash with fiscal agent represents the amount on deposit with Community Facilities District No. 1, a component unit of the District, in El Dorado County Treasury.

Cash in County Treasury

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash with the County Treasury as part of the common investment pool, which totaled \$17,103,820 (net of deficit cash of \$165,545, in the Charter School Fund, \$79,368 in the Adult Education Fund and \$194,877 in the Building Fund) as of June 30, 2009. The fair market value of this pool as of that date, as provided by the pool sponsor, was \$17,105,650. The District is considered to be an involuntary participant in the external investment pool. Interest is deposited into participating funds. The county is restricted by *Government Code* Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasury's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

C. Investments

The District is authorized by State statutes and in accordance with the District's Investment Policy (Policy) to invest in the following:

- Securities issued or guaranteed by the Federal Government or its agencies
- State Local Agency Investment Fund (LAIF)
- Insured and/or collateralized certificates of deposit

The Policy, in addition to State statutes, establishes that funds on deposit in banks must be federally insured or collateralized and investments shall (1) have maximum maturity not to exceed five years, (2) be laddered and based on cash flow forecasts; and (3) be subject to limitations to a certain percent of the portfolio for each of the authorized investments. The District's investments comply with the established policy.

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 2 - CASH AND INVESTMENTS (CONCLUDED)

D. Risk Disclosures

At June 30, 2009 the District had the following investment maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		
		<u>Less than 1</u>	<u>1 to 2</u>	<u>5 or more</u>
County Treasury	\$ 17,105,650	\$ 16,592,480	\$ 513,170	
Local Agency Investment Fund (LAIF)	27,035,228	23,909,956	3,125,272	
Wells Fargo Advantage Government- Money Market Service #743	14,782	14,782		
Wells Fargo Advantage 100% Treasury- Money Market Fund #008	3,097,633	3,097,633		
FSA Capital Management Services- Private Debt Obligations	705,232			\$ 705,232
MBIA Inc. #1317, IA 4.853%	1,429,500			1,429,500
Total	<u>\$ 49,388,025</u>	<u>\$ 43,614,851</u>	<u>\$ 3,638,442</u>	<u>\$ 2,134,732</u>

Credit Risk - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organization (NRSRO's). It is in the District's policy to limit its investments in these investment types to the top rating issued by NRSRO's, including raters Standard & Poor's and Moody's Investors Services. At June 30, 2009, the District credit risks are as follows:

<u>Credit Quality Distributions for Securities with Credit Exposure</u>		
<u>Investment Type</u>	<u>Moody's Credit Rating</u>	<u>S &amp; P's Rating</u>
Cash in County Treasury	Not Rated	Not Rated
Cash with Fiscal Agent	Not Rated	Not Rated
Investments		
Wells Fargo Government- Money Market Service #743	Not Rated	AAA
Wells Fargo 100% Treasury- Money Market Service #008	Not Rated	AAA
FSA Capital Management Services, LLC Agreement #00452A	AAA	AAA

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2009, excess of expenditures over appropriations in individual funds are as follows:

<u>Appropriations Fund</u>	<u>Excess Expenditures</u>
General Fund	
Capital Outlay	\$ 2,859
Other Outgo	270,825
Transfers Out	1,163
Building Fund	
Debt Service - Interest	5,799
Non-Major Funds:	
Adult Education Fund	
Certificated Salaries	1,252
Classified Salaries	3,567
Contract Services	3,934

Unanticipated expenditures were incurred for which the budgets were not revised.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2009 consist of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>All Other Governmental Funds</u>	<u>Total</u>
Federal Government				
Categorical Aid Programs	\$ 1,059,245		\$ 36,095	\$ 1,095,340
State Government				
Revenue Limit	2,620,956		31,163	2,652,119
Categorical Aid Programs	885,413		39,432	924,845
Lottery	450,914		5,090	456,004
Other	919,746		1,568	921,314
Total State Government	4,877,029		77,253	4,954,282
Local Government	24,712		782,083	806,795
Interest		\$ 101,552	4,439	105,991
Miscellaneous	126,499	300	53,237	180,036
Total Accounts Receivable	<u>\$ 6,087,485</u>	<u>\$ 101,852</u>	<u>\$ 953,107</u>	<u>\$ 7,142,444</u>

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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NOTE 5 - INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for the 2008-2009 fiscal year were as follows:

Transfer from the General Fund to the Deferred Maintenance Fund to match current State Funding.	\$ 325,000
Transfer from General Fund to the Adult Education Fund for Adult Education Lottery earnings.	15,246
Transfer from Adult Education Fund to the General Fund to repay a temporary cash loan from the 2007-2008 fiscal year.	20,949
Transfer from the General Fund to the Special Reserve Fund for Other Postemployment Benefits to fund the first year estimated annual contribution for other postemployment benefits.	677,000
Transfer from the Capital Facilities Fund to the Financing Corporation Debt Service Fund to make current year payments on Certificates of Participation.	965,310
Transfer from the Capital Project Fund for Blended Component Units to the County School Facilities Fund for District share of state funded projects.	6,263,378

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 5 - INTERFUND TRANSACTIONS (CONCLUDED)

Interfund Transfers (Concluded)

Transfer from the Capital Project Fund for Blended Component Units to the Financing Corporation Debt Service Fund to provide resources for current year payment on the Certificates of Participation.	1,896,910
Transfer from County School Facilities Fund to the Capital Facilities Fund for project labor costs incurred during modernization of facilities.	15,297
Transfer from the Building Fund to the Capital Facilities Fund for project labor costs incurred during modernization of facilities.	7,232
Transfer from the Building Fund to the County School Facilities Fund for bond contributions for District match of Prop ID Career Technical Education Program construction costs.	<u>992,602</u>
Total	<u>\$11,178,924</u>

Interfund Receivables/Payables (Due From/Due To)

Individual fund interfund receivable and payable balances at June 30, 2009 are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 3,682	\$ 447,531
Shenandoah Charter School Fund	447,531	3,682
Building Fund		638,854
County School Facilities Fund	646,282	
Capital Project Fund for Blended Component Units		7,428
Totals	<u>\$ 1,097,495</u>	<u>\$ 1,097,495</u>

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2009 is shown below:

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Capital assets, not being depreciated:				
Land	\$ 3,518,854			\$ 3,518,854
Work in progress	3,818,984	\$ 21,718,351	\$ 978,413	24,558,922
Total capital assets, not being depreciated	<u>7,337,838</u>	<u>21,718,351</u>	<u>978,413</u>	<u>28,077,776</u>
Capital assets being depreciated:				
Buildings	74,460,664	1,183,234	432,945	75,210,953
Improvements of sites	5,894,131	1,013,911		6,908,042
Equipment	5,825,492	1,522,134	377,804	6,969,822
Total capital assets, being depreciated	<u>86,180,287</u>	<u>3,719,279</u>	<u>810,749</u>	<u>89,088,817</u>
Less accumulated depreciation for:				
Buildings	21,252,106	1,792,737	260,421	22,784,422
Improvements of sites	2,889,837	251,780		3,141,617
Equipment	3,938,522	386,419	270,956	4,053,985
Total accumulated depreciation	<u>28,080,465</u>	<u>2,430,936</u>	<u>531,377</u>	<u>29,980,024</u>
Total capital assets, being depreciated, net	<u>58,099,822</u>	<u>1,288,343</u>	<u>279,372</u>	<u>59,108,793</u>
Governmental activities capital assets, net	<u>\$ 65,437,660</u>	<u>\$ 23,006,694</u>	<u>\$ 1,257,785</u>	<u>\$ 87,186,569</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:

Unallocated \$2,430,936

NOTE 7 - LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2009 is shown below.

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009	Due Within One Year
General Obligation Bonds	\$ 12,920,000	\$ 34,000,000	\$ 580,000	\$ 46,340,000	\$ 2,210,000
Certificates of Participation	21,740,000		2,090,000	19,650,000	2,170,000
Capital Lease Obligations	1,952,228		140,991	1,811,237	80,736
Compensated Absences	295,823	39,128		334,951	334,951
Other Postemployment Benefits		141,000		141,000	141,000
Totals	<u>\$ 36,908,051</u>	<u>\$ 34,180,128</u>	<u>\$ 2,810,991</u>	<u>\$ 68,277,188</u>	<u>\$ 4,936,687</u>

The Compensated Absences payable, Other Postemployment Benefits and Capital Lease Obligations will be paid from the General Fund. Payments on the General Obligation Bonds will be made from the Bond Interest and Redemption Fund. Payments on the Certificates of Participation will be made from the Financing Corporation - Debt Service Fund.

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 8 - BONDED DEBT

On April 23, 2008, the District issued \$12,340,000 General Obligation Refunding Bonds which bear interest rates of 3.25% to 4.25% with maturity dates through August 1, 2024. The bonds were issued by the District to partially refund the District's outstanding 1997 General Obligation Bonds, Series 1997A and Series 1998 and to pay the cost of issuance of the bonds.

On September 11, 2008, the District issued General Obligation Bonds, Series 2008, in the aggregate amount of \$34,000,000 with interest rates ranging from 4.75% to 8.00%. The General Obligation Bond, Series 2008 were authorized at an election of registered voters of the District held on June 3, 2008 at which 56.2% of the persons voting on "Measure Q" voted to authorize the issuance and sale of \$34,000,000 principal amount of general obligation bonds of the District. The bonds were issued to finance the repair, update, construction, furnishing and equipping of every school to improve students' safety and quality of education.

As described above, the District has defeased various General Obligation Bonds issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. Government Securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the advanced refunding met the requirements of an in-substance debt defeasance and therefore removed as liability from the District's government-wide financial statements.

The outstanding general obligation bonded debt at June 30, 2009 is:

Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2008	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2009
1997	4.40-8.00	2022	\$ 13,000,000	\$ 440,000		\$ 440,000	
1998	4.80-5.00	2023	4,180,000	140,000		140,000	
2008 (Refunding)	3.25-4.25	2024	12,340,000	12,340,000			\$ 12,340,000
2008	4.75-8.00	2034	34,000,000		\$ 34,000,000		34,000,000
Totals			<u>\$ 63,520,000</u>	<u>\$ 12,920,000</u>	<u>\$ 34,000,000</u>	<u>\$ 580,000</u>	<u>\$ 46,340,000</u>

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 8 - BONDED DEBT (CONCLUDED)

The annual requirements to amortize the general obligation bonds payable, outstanding as of June 30, 2009 are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 2,210,000	\$ 1,961,635	\$ 4,171,635
2011	2,160,000	1,953,462	4,113,462
2012	725,000	1,869,988	2,594,988
2013	745,000	1,847,006	2,592,006
2014	1,000,000	1,811,450	2,811,450
2015-2019	5,575,000	8,286,650	13,861,650
2020-2024	9,730,000	6,598,688	16,328,688
2025-2029	9,285,000	4,590,741	13,875,741
2030-2034	14,910,000	1,875,609	16,785,609
Totals	<u>\$ 46,340,000</u>	<u>\$ 30,795,229</u>	<u>\$ 77,135,229</u>

NOTE 9 - CERTIFICATES OF PARTICIPATION

The outstanding certificates of participation at June 30, 2009, is:

<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Outstanding July 1, 2008</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2009</u>
1999	2013	\$ 7,150,000	\$ 3,075,000	\$ 560,000	\$ 2,515,000
2001	2032	4,970,000	4,370,000	110,000	4,260,000
2006	2016	14,295,000	14,295,000	1,420,000	12,875,000
Totals		<u>\$ 26,415,000</u>	<u>\$ 21,740,000</u>	<u>\$ 2,090,000</u>	<u>\$ 19,650,000</u>

The 1999 certificates mature through 2013 as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 590,000	\$ 97,605	\$ 687,605
2011	615,000	71,691	686,691
2012	635,000	44,345	679,345
2013	675,000	15,187	690,187
Totals	<u>\$ 2,515,000</u>	<u>\$ 228,828</u>	<u>\$ 2,743,828</u>

## EL DORADO UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 9 - CERTIFICATES OF PARTICIPATION (CONCLUDED)

The 2001 certificates mature through 2032 as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 110,000	\$ 198,332	\$ 308,332
2011	115,000	194,183	309,183
2012	120,000	189,701	309,701
2013	125,000	184,876	309,876
2014	130,000	179,647	309,647
2015-2019	735,000	806,073	1,541,073
2020-2024	925,000	611,689	1,536,689
2025-2029	1,160,000	359,487	1,519,487
2030-2032	840,000	64,500	904,500
Totals	<u>\$ 4,260,000</u>	<u>\$ 2,788,488</u>	<u>\$ 7,048,488</u>

The 2006 certificates mature through 2016 as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,470,000	\$ 499,280	\$ 1,969,280
2011	1,520,000	449,300	1,969,300
2012	1,570,000	380,900	1,950,900
2013	1,625,000	325,950	1,950,950
2014	1,690,000	252,825	1,942,825
2015-2016	5,000,000	317,500	5,317,500
Totals	<u>\$ 12,875,000</u>	<u>\$ 2,225,755</u>	<u>\$ 15,100,755</u>

NOTE 10 - LEASESA. Capital Leases

The District leases equipment and portable buildings under agreements, which provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Year Ending June 30</u>	<u>Lease Payments</u>
2010	\$ 180,023
2011	175,022
2012	90,750
2013	90,750
2014	90,750
2015-2018	2,013,000
Total	2,640,295
Less amounts representing interest	829,058
Present Value of Net Minimum Lease Payments	<u>\$ 1,811,237</u>

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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NOTE 10 - LEASES (CONCLUDED)

A. Capital Leases (Concluded)

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

B. Operating Leases

The District has entered into various operating leases for portables and building space with lease terms in excess of one year. None of these agreements contain purchase options. All the 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. It is expected that in the normal course of business most of these leases will be replaced by similar leases.

The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

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

A. State Teachers' Retirement System (STRS)

*Plan Description.* The El Dorado Union High School District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 100 Waterfront Place, West Sacramento, California 95605.

*Funding Policy.* Active plan members are required to contribute 8.0% of their salary and the El Dorado Union High School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2008-2009 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The El Dorado Union High School District's contributions to STRS for the fiscal year ending June 30, 2009, 2008, and 2007 were \$2,366,832, \$2,395,268 and \$2,299,320, respectively, and equal 100% of the required contributions for each year.

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

B. California Public Employees Retirement System (CalPERS)

*Plan Description.* The El Dorado Union High School District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Room 1820, Sacramento, CA 95814.

*Funding Policy.* Active plan members are required to contribute 7.0% of their salary and the El Dorado Union High School 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 2008-2009 was 9.428% of annual payroll. The contribution requirements of the plan members are established by State statute. The El Dorado Union High School District's contributions to CalPERS for the fiscal year ending June 30, 2009, 2008 and 2007 were \$901,417, \$892,590 and \$794,442, respectively and equal 100% of the required contributions for each year.

C. Social Security

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

D. On Behalf Payment

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS and contributions to PERS for the year ended June 30, 2009. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local education agencies not to record these amounts in the Annual Financial and Budget Report. These amounts also have not been recorded in these financial statements.

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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NOTE 12 - STUDENT BODY FUNDS

The Student Body Funds often engage in activities, which involve cash transactions. These transactions are not subject to adequate internal accounting control prior to deposits being recorded in the bank accounts. It has been determined on a cost benefit basis that providing increased internal control in this area does not justify the additional costs that would be necessary to control receipts prior to the point of deposit.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

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

B. Joint Ventures

The District participates in a joint venture under a joint powers agreement (JPA) with the Schools Insurance Authority. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

As described in Note 1, the District participates in a joint venture formed by a Joint Powers Agreement (JPA) among the District, Buckeye Union Elementary School District and the Rescue Union Elementary School District pursuant to the Mello Roos Community Facilities Act of 1982. The District considers the JPA a component unit of the District.

NOTE 14 - OTHER POST EMPLOYMENT BENEFITS

The District offers limited post employment retiree benefits to each of the three classes of employees. The major provisions of the plans are as follows:

Represented Certificated Staff who have at least 10 years with the district and have reached age 55 are eligible to receive the same benefit cap the district provides to current employees for health insurance for a period of 5 years or to age 65 which ever is first. Additionally they may work 18 days a year for a payment of \$4,000.

Represented Classified Staff who have at least 15 years with the district and have reached age 50 are eligible to receive the same benefit cap the district provides to current employees for health insurance for a period of 5 years or until they reach Medicare eligibility, which ever is first. Additionally, they may work 10 days a year at the substitute pay level for their position.

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 14 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Management Staff members who retired prior to October 1, 2005, who had at least 10 years with the district, and had reached age 50, received an annual cash payment of \$7,615 until they are age 65. In addition they may work 20 days a year for 5 years at the pay rate of the retired position.

Members who had at least 10 years with the district and had reached age 50 and who retire after October 1, 2005, will be eligible for one-time payments ranging from \$10,000 to \$30,000 depending on their length of their service. There will be no continued annual payments to them or guaranteed days of work.

All management members will be eligible to receive the minimum allowed retiree payments to PERS toward health benefits for as long as they purchase health insurance through PERS. The current minimum contribution is \$14.55 per month.

*Funding Policy*

Employees are not required to contribute to the plan. In order to fully fund the plan, the District would be required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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 liabilities (or funding excess) over a period not to exceed thirty years.

*Annual OPEB Cost and Net OPEB Obligation*

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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 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:

Annual required contribution	\$ 677,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>0</u>
Annual OPEB cost (expense)	677,000
Contributions made	<u>536,000</u>
Increase in net OPEB obligation	141,000
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	<u>\$ 141,000</u>

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 14 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

*Annual OPEB Cost and Net OPEB Obligation (Concluded)*

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2009 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$677,000	79%	\$141,000

*Funded Status and Funding Progress*

As of January 1, 2007, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$6.0 million, all of which is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$34.6 million, and the ratio of the Unfund Actuarial Accrued Liability (UAAL) to the covered payroll was 17.45 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 funded status of the plan as of June 30, 2009 was as follows:

Actuarial accrued liability (AAL)	\$ 6,044,000
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 6,044,000</u>
Funded ratio (actuarial value of plan assets/AAL)	0.00%

*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 benefits 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.

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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NOTE 14 - OTHER POST EMPLOYMENT BENEFITS (CONCLUDED)

*Actuarial Methods and Assumptions (Concluded)*

In the January 1, 2007, actuarial valuation, the unit credit cost method was used. The actuarial assumptions included a 5.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 14% initially. An inflation rate of 3% was used. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009, was twenty-eight years.

NOTE 15 - DEFICIT CASH BALANCES

As of June 30, 2009 the Charter School Fund, Adult Education Fund and Building Fund have a deficit cash balances of \$165,545, \$79,368 and \$194,877, respectively. It is expected the deficits in each fund will be eliminated by future program surpluses and transfers from other funds.

The County allows individual funds within a District to operate with a deficit cash balance as long as the District as a whole operates with a positive cash balance.

NOTE 16 - SUBSEQUENT EVENT

On July 28, 2009 Governor Schwarzenegger signed a package of bills amending the 2008-09 and 2009-10 California State budgets. The budget amendments were designed to address the State's budget gap of \$24 billion that had developed as a result of the deepening recession since the State's last budget actions in February 2009. The July budget package reduced, on a statewide basis, \$1.6 billion in 2008-09 Proposition 98 funding through a reversion of undistributed categorical program balances. The budget language identified 51 specific programs and required the amount associated with these programs that were "unallocated, unexpended, or not liquidated as of June 30, 2009" to revert to the State's General Fund. The July budget package also provided an appropriation in 2009-10 to backfill \$1.5 billion of these cuts to repay the 2008-09 reversion of the undistributed categorical program balances.

The District recorded the revenue and related receivable associated with its portion of the unallocated, unexpended or unliquidated categorical program balances identified in the July 2009 State budget package prior to the recommendation from the State that the 2009-10 re-appropriation should not be accrued. The inclusion is consistent with California Education Code Section 33128.1, which states, "a local educational agency may recognize for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year." It has been determined that the District's portion of these categorical balances is not material and an adjustment to reduce revenue and the related receivable has not been included in these financial statements.

## REQUIRED SUPPLEMENTARY INFORMATION SECTION

EL DORADO UNION HIGH SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive- (Negative)
	Original	Final	Actual (Budgetary Basis)	
<u>REVENUES</u>				
Revenue Limit Sources:				
State Apportionments	\$ 21,803,998	\$ 16,066,702	\$ 17,348,583	\$ 1,281,881
Local Sources	23,586,892	26,385,786	26,902,156	516,370
Total Revenue Limit	45,390,890	42,452,488	44,250,739	1,798,251
Federal Revenue	1,635,484	4,526,539	4,332,606	(193,933)
Other State Revenue	7,296,402	7,269,366	7,268,497	(869)
Other Local Revenue	3,633,788	4,292,902	4,485,047	192,145
Total Revenues	57,956,564	58,541,295	60,336,889	1,795,594
<u>EXPENDITURES</u>				
Certificated Salaries	29,265,411	29,214,772	28,910,626	304,146
Classified Salaries	9,128,730	9,337,130	9,279,806	57,324
Employee Benefits	9,942,425	9,690,264	9,580,825	109,439
Books and Supplies	3,555,802	4,853,946	2,882,136	1,971,810
Services and Other				
Operating Expenditures	4,421,652	4,885,900	4,345,609	540,291
Capital Outlay	30,000	44,571	47,430	(2,859)
Debt Service:				
Principal Retirement	140,991	140,991	140,991	
Interest and Fiscal Charges	14,545	14,545	14,545	
Other Outgo	1,886,496	1,548,318	1,819,143	(270,825)
Total Expenditures	58,386,052	59,730,437	57,021,111	2,709,326
Excess of Revenues Over (Under) Expenditures	(429,488)	(1,189,142)	3,315,778	4,504,920
Other Financing Sources (Uses):				
Operating Transfers In	119,112	20,950	20,949	(1)
Operating Transfers Out	(343,590)	(1,016,083)	(1,017,246)	(1,163)
Total Other Financing Sources (Uses)	(224,478)	(995,133)	(996,297)	(1,164)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(653,966)	(2,184,275)	2,319,481	4,503,756
Fund Balances - July 1, 2008	7,420,895	11,247,777	11,247,777	0
Fund Balances - June 30, 2009	\$ 6,766,929	\$ 9,063,502	\$ 13,567,258	\$ 4,503,756

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

## SUPPLEMENTARY INFORMATION SECTION

EL DORADO UNION HIGH SCHOOL DISTRICT

PLACERVILLE, CALIFORNIA

JUNE 30, 2009

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ORGANIZATION

The El Dorado Union High School District is located in El Dorado County, California and operated four comprehensive high schools, three continuation schools, one charter school and one community day school. The District also offered the following programs: Independent Study, Regional Occupation, Adult Education and a County Jail School Program.

BOARD OF EDUCATION

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Mary T. Muse	President	December 2012
Lori M. Veerkamp	Clerk	December 2012
Kirby L. Ehler	Member	December 2010
Timothy M. Cary	Member	December 2010
Madeline Restiano	Member	December 2010

ADMINISTRATION

Sherry Smith  
Superintendent  
Executive Secretary to the Board

Christopher Hoffman  
Associate Superintendent, Educational Services

Stephanie Clark  
Assistant Superintendent, Human Resources

Stephen Luhrs, CPA  
Associate Superintendent, Business Services

EL DORADO UNION HIGH SCHOOL DISTRICT  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Second Period Report</u>			<u>Annual Report</u>		
	<u>District</u>	<u>Charter</u>	<u>Total</u>	<u>District</u>	<u>Charter</u>	<u>Total</u>
<u>Secondary</u>						
Regular Classes	6,428	102	6,530	6,374	102	6,476
Continuation Education	175	-	175	174	-	174
Home and Hospital	10	-	10	13	-	13
Special Education	114	-	114	113	-	113
Community Day School	14	-	14	14	-	14
Extended Year	3	-	3	4	-	4
Regional Occupational Program	513	-	513	467	-	467
<u>Classes for Adults:</u>						
Concurrently Enrolled	11	-	11	11		11
Adults Enrolled, State Apportioned	94	-	94	94	-	94
Adults in Correctional Facilities	<u>23</u>	<u>      </u>	<u>23</u>	<u>24</u>	<u>-</u>	<u>24</u>
Totals	<u>7,385</u>	<u>102</u>	<u>7,487</u>	<u>7,288</u>	<u>102</u>	<u>7,390</u>

<u>Summer School/Intersession Hours</u>	<u>Hours of Attendance</u>	
Remedial Instruction	<u>47,836</u>	<u>79,790</u>

All of the ADA reported for the Charter School is non-classroom based attendance.

Average daily attendance is a measurement of the numbers 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 the school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

EL DORADO UNION HIGH SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL TIME OFFERED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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<u>Grade Level</u>	<u>1986-87 Minutes Requirement</u>	<u>1982-83 Actual Minutes</u>	<u>2008-2009 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Grade 9	64,800	60,375	64,969	180	In Compliance
Grade 10	64,800	60,375	64,969	180	In Compliance
Grade 11	64,800	60,375	64,969	180	In Compliance
Grade 12	64,800	60,375	64,969	180	In Compliance

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

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.

SEE NOTES TO SUPPLEMENTARY INFORMATION

EL DORADO UNION HIGH SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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The District has granted and approved a charter school pursuant to California Education Code Section 47605. The Shenandoah High Charter was granted during 2001 and renewed in May 2007 for a term of five years ending June 2012.

For disclosure purposes, the financial activities of the charter school are presented as a separate fund.

SEE NOTES TO SUPPLEMENTARY INFORMATION

EL DORADO UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR FISCAL YEAR ENDED JUNE 30, 2009

<u>Program Name:</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Program Expenditures</u>	<u>Revenue Recognized</u>
US Department of Agriculture:				
Passed Through California				
Department of Education (CDE):				
National School Lunch	10.555	13391	\$ 294,852	\$ 294,852
Basic School Breakfast	10.553	13390	105,256	105,256
Direct Program:				
Forest Reserve	10.665	10044	317,288	317,288
Total US Department of Agriculture			<u>717,396</u>	<u>717,396</u>
US Department of Education:				
Passed Through CDE:				
NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	84.001	14329	356,581	356,581
ARRA: State Fiscal Stabilization Fund	84.394	25008	0	2,107,174
Special Education: Basic Local Assistance Entitlement	84.027	13379	794,991	794,991
Special Education: ARRA IDEA, Part B, Basic Local Assistance	84.391	15003	238,954	238,954
Vocational Programs: VOC & Applied Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	13924	103,504	103,504
NCLB: Title IV, Safe & Drug Free Schools and Communities	84.186	14347	14,776	14,776
Adult Education: Adult Basic Education & ESL	84.002A	14005	2,424	2,424
Adult Education: Adult Secondary Education	84.002	13978	21,549	21,549
Adult Education: Institutionalized Adults	84.002	13971	25,867	25,867
NCLB: Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	118,130	118,130
NCLB: Title II, Part D, Enhancing Education Through Technology	84.318	14334	10,166	10,166
NCLB: Title V, Part A, Innovative Education Strategies	84.298A	14354	2,012	2,012
Carol M. White Physical Education Program	84.215F	N/A	289,668	289,668
California Health Science Educators Institute	N/A	02854	332	332
NCLB: Title III, Limited English Proficiency	84.365	10084	5,309	5,309
NCLB: Title X, McKinney-Vento Homeless Assistance	84.196	14332	11,321	11,321
NCLB: Title III, Immigrant Education Program	84.365	14346	5,734	5,734
Federal Advance Placement Fees	N/A	N/A	1,127	1,127
Federal In Lieu	N/A	N/A	854	854
Total US Department of Education			<u>2,003,299</u>	<u>4,110,473</u>
Total Federal Programs			<u>\$ 2,720,695</u>	<u>\$ 4,827,869</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

EL DORADO UNION HIGH SCHOOL DISTRICT  
RECONCILIATION OF UNAUDITED ACTUALS  
WITH AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Building Fund	Capital Projects Fund for Blended Component Units
June 30, 2009 Unaudited Actual Financial Report Fund Balance	\$ 26,124,814	\$ 5,899,648
Adjustments and Reclassifications:		
Increasing (Decreasing) the Fund Balance:		
Understatement of Interest and Fiscal Charge	(5,798)	
Understatement of Interest Income	101,552	50,241
Understatement of Contract Services		(4,113)
Understatement of Other Local Revenue		38,926
Net Adjustments and Reclassifications	95,754	85,054
June 30, 2009 Audited Financial Statements	\$ 26,220,568	\$ 5,984,702

Auditor's Comments

The audited financial statements of all other funds were in agreement with the Unaudited Actual Financial Report for the year ended June 30, 2009.

EL DORADO UNION HIGH SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	(Budget) 2009-2010	2008-2009	2007-2008	2006-2007
<u>General Fund</u>				
Revenues and Other Financial Sources	\$ 55,447,720	\$ 60,357,838	\$ 61,100,330	\$ 62,056,605
Expenditures	56,800,405	57,021,111	59,704,882	57,856,526
Other Uses and Transfers Out	14,148	1,017,246	364,540	447,122
Total Outgo	56,814,553	58,038,357	60,069,422	58,303,648
Change in Fund Balance (Decrease)	(1,366,833)	2,319,481	1,030,908	3,752,957
Ending Fund Balance	\$ 7,571,070	\$ 13,567,258	\$ 11,247,777	\$ 10,216,869
Available Reserves	\$ 5,455,089	\$ 8,036,287	\$ 6,841,033	\$ 5,246,695
Designated for Economic Uncertainties	\$ 1,725,000	\$ 1,805,000	\$ 1,810,000	\$ 1,860,000
Undesignated Fund Balance	\$ 3,730,089	\$ 6,231,287	\$ 5,031,033	\$ 3,386,695
Available Reserves as a Percentage of Total Outgo	9.60%	13.85%	11.39%	9.00%
Total Long-Term Debt	\$ 63,340,501	\$ 68,277,188	\$ 36,908,051	\$ 38,012,498
Average Daily Attendance at P-2 (Exclusive of Adult, ROP and Charter School ADA)	6,633	6,744	6,712	6,782

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

The General Fund Balance has increased by \$7,103,346 over the past three years. For a District this size the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out and other uses (total outgo).

Average Daily Attendance (ADA) has remained stable during the past two years.

EL DORADO UNION HIGH SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR FUNDS  
JUNE 30, 2009

	Shenandoah Charter School	Adult Education	Cafeteria	Deferred Maintenance	Postemployment Benefits
<u>ASSETS</u>					
Cash in County Treasury			\$ 507,116	\$ 300,467	\$ 681,618
Cash in Revolving Fund			3,385		
Cash with Fiscal Agent					
Investments					
Accounts Receivable	\$ 55,230	\$ 108,488	2,879		
Due from Other Funds	447,531				
Total Assets	<u>\$ 502,761</u>	<u>\$ 108,488</u>	<u>\$ 513,380</u>	<u>\$ 300,467</u>	<u>\$ 681,618</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Deficit Cash Balance	\$ 165,545	\$ 79,368			
Accounts Payable	15,562	21,162	\$ 7,899		
Due to Other Funds	3,682				
Deferred Revenue	202				
Total Liabilities	<u>184,991</u>	<u>100,530</u>	<u>7,899</u>		
Fund Balances:					
Reserved			3,385		
Unreserved					
Designated	80,911	7,958	100,000		
Undesignated	236,859		402,096	\$ 300,467	\$ 681,618
Total Fund Balances	<u>317,770</u>	<u>7,958</u>	<u>505,481</u>	<u>300,467</u>	<u>681,618</u>
Total Liabilities and Fund Balances	<u>\$ 502,761</u>	<u>\$ 108,488</u>	<u>\$ 513,380</u>	<u>\$ 300,467</u>	<u>\$ 681,618</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

Capital Facilities	Capital Project Fund for Blended Component Units	Bond Interest and Redemption	Financing Corporation - Debt Service	Totals
\$ 1,333,056	\$ 97,995	\$ 919,812		\$ 3,840,064
				3,385
	2,045,075			2,045,075
	3,062,550		\$ 2,184,597	5,247,147
	786,510			953,107
				447,531
<u>\$ 1,333,056</u>	<u>\$ 5,992,130</u>	<u>\$ 919,812</u>	<u>\$ 2,184,597</u>	<u>\$ 12,536,309</u>
\$ 5,314				\$ 244,913
	\$ 7,428			49,937
				11,110
				202
<u>5,314</u>	<u>7,428</u>			<u>306,162</u>
		\$ 919,812		923,197
1,327,742	5,984,702			7,501,313
			\$ 2,184,597	3,805,637
<u>1,327,742</u>	<u>5,984,702</u>	<u>919,812</u>	<u>2,184,597</u>	<u>12,230,147</u>
<u>\$ 1,333,056</u>	<u>\$ 5,992,130</u>	<u>\$ 919,812</u>	<u>\$ 2,184,597</u>	<u>\$ 12,536,309</u>

EL DORADO UNION HIGH SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NON-MAJOR FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Shenandoah Charter School	Adult Education	Cafeteria	Deferred Maintenance	Postemployment Benefits
<u>REVENUES</u>					
Revenue Limit Sources:					
State Apportionment	\$ 275,150				
Local Sources	398,505				
Federal Sources:					
Child Nutrition Program			\$ 400,108		
Other	45,315	\$ 49,840			
Other State Sources:					
State Nutrition Program			33,707		
Other	58,437	292,012		\$ 251,850	
Other Local Sources:					
Food Service Sales			1,443,789		
Interest			5,276		\$ 4,618
Other	56,634	79,881			
Total Revenues	834,041	421,733	1,882,880	251,850	4,618
<u>EXPENDITURES</u>					
Certificated Salaries	268,296	216,658			
Classified Salaries	93,423	73,352	658,007		
Employee Benefits	115,369	73,767	158,806		
Books and Supplies	9,642	6,164	718,800		
Services and Other					
Operating Expenditures	132,723	25,596	101,918	278,296	
Capital Outlay					
Debt Service:					
Principal Retirement					
Interest and Fiscal Charges	505	537		547	
Other Outgo		12,033	103,800		
Total Expenditures	619,958	408,107	1,741,331	278,843	
Excess of Revenues					
Over (Under) Expenditures	214,083	13,626	141,549	(26,993)	4,618
Other Financing Sources (Uses):					
Operating Transfers In		15,246		325,000	677,000
Operating Transfers Out		(20,949)			
Other Sources					
Total Other Financing					
Sources (Uses)		(5,703)		325,000	677,000
Excess of Revenues and					
Other Sources Over (Under)					
Expenditures and Other Uses	214,083	7,923	141,549	298,007	681,618
Fund Balances - July 1, 2008	103,687	35	363,932	2,460	
Fund Balances - June 30, 2009	\$ 317,770	\$ 7,958	\$ 505,481	\$ 300,467	\$ 681,618

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

<u>Capital Facilities</u>	<u>Capital Project Fund for Blended Component Units</u>	<u>Bond Interest and Redemption</u>	<u>Financing Corporation - Debt Service</u>	<u>Totals</u>
				\$ 275,150
				398,505
				400,108
				95,155
				33,707
				602,299
				1,443,789
\$ 22,305	\$ 117,740	\$ 12,303	\$ 98,949	261,191
472,791	1,644,956	1,099,776		3,354,038
495,096	1,762,696	1,112,079	98,949	6,863,942
				484,954
234,994				1,059,776
71,173				419,115
1,492				736,098
75,169	125,640			739,342
6,026	6,225			12,251
		580,000	2,090,000	2,670,000
90,750		361,721	871,079	1,325,139
				115,833
479,604	131,865	941,721	2,961,079	7,562,508
15,492	1,630,831	170,358	(2,862,130)	(698,566)
22,529			2,862,220	3,901,995
(965,310)	(8,160,288)			(9,146,547)
		556		556
(942,781)	(8,160,288)	556	2,862,220	(5,243,996)
(927,289)	(6,529,457)	170,914	90	(5,942,562)
2,255,031	12,514,159	748,898	2,184,507	18,172,709
\$ 1,327,742	\$ 5,984,702	\$ 919,812	\$ 2,184,597	\$ 12,230,147

EL DORADO UNION HIGH SCHOOL DISTRICT  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGECNY FUNDS - STUDENT BODY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Beginning Balance	Additions	Deductions	Ending Balance
<u>UNION MINE HIGH SCHOOL</u>				
<u>STUDENT ACTIVITIES</u>				
<u>ASSETS</u>				
Cash	\$ 86,124	\$ 323,584	\$ 336,397	\$ 73,311
<u>LIABILITIES</u>				
Due to Student Groups	\$ 86,124	\$ 323,584	\$ 336,397	\$ 73,311
<u>EL DORADO HIGH SCHOOL</u>				
<u>STUDENT ACTIVITIES</u>				
<u>ASSETS</u>				
Cash	\$ 81,413	\$ 196,810	\$ 203,807	\$ 74,416
<u>LIABILITIES</u>				
Due to Student Groups	\$ 81,413	\$ 196,810	\$ 203,807	\$ 74,416
<u>PONDEROSA HIGH SCHOOL</u>				
<u>STUDENT BODY</u>				
<u>ASSETS</u>				
Cash	\$ 276,941	\$ 549,272	\$ 553,705	\$ 272,508
<u>LIABILITIES</u>				
Due to Student Groups	\$ 276,941	\$ 549,272	\$ 553,705	\$ 272,508
<u>OAK RIDGE HIGH SCHOOL</u>				
<u>STUDENT ACTIVITIES</u>				
<u>ASSETS</u>				
Cash	\$ 214,875	\$ 745,547	\$ 763,397	\$ 197,025
<u>LIABILITIES</u>				
Due to Student Groups	\$ 214,875	\$ 745,547	\$ 763,397	\$ 197,025

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO UNION HIGH SCHOOL DISTRICT  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS - STUDENT BODY (CONCLUDED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Beginning Balance	Additions	Deductions	Ending Balance
<u>INDEPENDENCE HIGH SCHOOL</u>				
<u>STUDENT ACTIVITIES</u>				
<u>ASSETS</u>				
Cash	\$ 1,166	\$ 11,492	\$ 11,126	\$ 1,532
<u>LIABILITIES</u>				
Due to Student Groups	\$ 1,166	\$ 11,492	\$ 11,126	\$ 1,532
<u>SCRIP ACCOUNT</u>				
<u>STUDENT ACTIVITIES</u>				
<u>ASSETS</u>				
Cash	\$ 74,375	\$ 34,332	\$ 35,588	\$ 73,119
<u>LIABILITIES</u>				
Due to Student Groups	\$ 74,375	\$ 34,332	\$ 35,588	\$ 73,119
<u>SHENANDOAH CHARTER SCHOOL</u>				
<u>STUDENT ACTIVITIES</u>				
<u>ASSETS</u>				
Cash	\$ 4,887	\$ 11,361	\$ 11,848	\$ 4,400
<u>LIABILITIES</u>				
Due to Student Groups	\$ 4,887	\$ 11,361	\$ 11,848	\$ 4,400
<u>TOTAL AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash	\$ 739,781	\$ 1,872,398	\$ 1,915,868	\$ 696,311
<u>LIABILITIES</u>				
Due to Student Groups	\$ 739,781	\$ 1,872,398	\$ 1,915,868	\$ 696,311

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

# EL DORADO UNION HIGH SCHOOL DISTRICT

## NOTES TO SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2009

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### NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District is required to present a Schedule of Revenues, Expenditures, and Changes in Fund Balance budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object.

B. Schedule of Average Daily Attendance

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

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 and number of days offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

D. Schedule of Charter Schools

This schedule is provided to list 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.

E. 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 requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

F. Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the Unaudited Actual Financial Report to the audited financial statements.

G. Schedule of Financial Trends and Analysis

This schedule is presented to improve the evaluation and reporting of the going concern status of the District. The District has the option, under Education Code Section 33118.1, to include the unrestricted portion of the fiscal year 2009-10 re-appropriated categorical funding in the available reserves for 2008-09. The District has included the unrestricted re-appropriated categorical funding in available reserves.

H. Combining Statements and Individual Fund Schedules

Combining statements and individual fund schedules are presented for purposes of additional analysis, and are not a required part of the District's basic financial statements. These statements and schedules present more detailed information about the financial position and financial activities of the District's individual funds.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

GOODELL,  
PORTER,  
SANCHEZ &  
BRIGHT, LLP

CERTIFIED  
PUBLIC  
ACCOUNTANTS

JOHN L. GOODELL, CPA  
VIRGINIA K. PORTER, CPA  
BEVERLY A. SANCHEZ, CPA  
SUZY H. BRIGHT, CPA  
RICHARD J. GOODELL, CPA

REPORT ON STATE COMPLIANCE

Board of Education  
El Dorado Union High School District  
Placerville, California

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the El Dorado Union High School District, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 1, 2009.

We conducted our audit 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 Education Agencies 2008-9*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

<u>Description</u>	<u>Procedures in the Audit Guide</u>	<u>Procedures Performed</u>
Attendance reporting	8	Yes
Independent study	23	Yes
Continuation education	10	Yes
Adult education	9	Not Applicable <sup>1</sup>
Regional Occupational Center/Programs	6	Not Applicable <sup>1</sup>
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable

<u>Description</u>	<u>Procedures in the Audit Guide</u>	<u>Procedures Performed</u>
Community Day Schools	9	Not Applicable <sup>2</sup>
Morgan-Hart Class Size Reduction Program	7	Not Applicable <sup>1</sup>
Instructional Materials:		
General Requirements	12	1 <sup>3</sup>
K-8 only	1	Not Applicable <sup>1</sup>
Grades 9-12 only	1	Not Applicable <sup>1</sup>
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Not Applicable
GANN Limit calculation	1	Yes
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Not Applicable <sup>1</sup>
Class Size Reduction (Including 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
Charter Schools:		
Contemporaneous Records of Attendance	1	Yes
Mode of Instruction, for charter schools	1	Not Applicable
Non Classroom-Based Instruction/Independent Study	15	Yes
Determination of Funding for Non Classroom-Based Instruction	3	Yes
Annual Instructional Minutes - Classroom Based	3	Not Applicable

<sup>1</sup> This program is not required to be audited per flexibility provisions in SBx3 4.

<sup>2</sup> The number of procedures to be performed was reduced per flexibility provisions in SBx3 4. Section 19825 procedures (e) and (g) were not performed.

<sup>3</sup> The number of procedures to be performed was reduced per flexibility provisions in SBx3 4. Section 19828.3 procedures (b), (c), and (e) were not performed.

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

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

*Goodell, Porter, Sanchez & Bright, LLP*  
GOODELL, PORTER, SANCHEZ & BRIGHT, LLP  
Certified Public Accountants

December 1, 2009

GOODELL,  
PORTER,  
SANCHEZ &  
BRIGHT, LLP

C E R T I F I E D  
P U B L I C  
A C C O U N T A N T S

JOHN L. GOODELL, CPA  
VIRGINIA K. PORTER, CPA  
BEVERLY A. SANCHEZ, CPA  
SUZY H. BRIGHT, CPA  
RICHARD J. GOODELL, CPA

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 Education  
El Dorado Union High School District  
Placerville, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of El Dorado Union High School District as of and for the year ended June 30, 2009, which collectively comprise the El Dorado Union High School District's basic financial statements and have issued our report thereon dated December 1, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the El Dorado Union High School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the El Dorado Union High School District's financial statements that is more than inconsequential will not be prevented or detected by the El Dorado Union High School District's internal control. We consider the deficiencies described as finding 2009-1 and 2009-2 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the El Dorado Union High School District's internal control.

Our consideration of internal control over financial reporting 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 significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether El Dorado 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*.

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

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

*Goode, Porter, Sanchez & Bright, LLP*  
GOODELL, PORTER, SANCHEZ & BRIGHT, LLP  
Certified Public Accountants

December 1, 2009

GOODELL,  
PORTER,  
SANCHEZ &  
BRIGHT, LLP

C E R T I F I E D  
P U B L I C  
A C C O U N T A N T S

JOHN L. GOODELL, CPA  
VIRGINIA K. PORTER, CPA  
BEVERLY A. SANCHEZ, CPA  
SUZY H. BRIGHT, CPA  
RICHARD J. GOODELL, CPA

INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133

Board of Education  
El Dorado Union High School District  
Placerville, California

Compliance

We have audited the compliance of El Dorado Union High School District with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. El Dorado 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 its major federal program is the responsibility of El Dorado Union High School District's management. Our responsibility is to express an opinion on El Dorado 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 El Dorado 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 reasonable basis for our opinion. Our audit does not provide a legal determination of El Dorado Union High School District's compliance with those requirements.

In our opinion, El Dorado Union High School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of El Dorado 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 El Dorado 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, 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 El Dorado Union High School District's internal control over compliance.

A control deficiency in an entity's 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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 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 District Board and management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

*Goode, Porter, Sanchez & Bright, LLP*  
GOODELL, PORTER, SANCHEZ & BRIGHT, LLP  
Certified Public Accountants

December 1, 2009

## FINDINGS AND QUESTIONED COSTS SECTION

EL DORADO UNION HIGH SCHOOL DISTRICT  
SUMMARY OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2009

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_ Yes     x No

Significant deficiency(ies) identified  
that are not considered to be material  
weakness?

x Yes     \_\_\_ None reported

Noncompliance material to financial  
statements noted?

\_\_\_ Yes     x No

*Federal Awards*

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_ Yes     x No

Significant deficiency(ies) identified  
that are not considered to be material  
weakness?

\_\_\_ Yes     x None reported

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

Unqualified

Any audit findings disclosed that are  
required to be reported in accordance  
with Section 510 (a) of OMB Circular A-133?

\_\_\_ Yes     x No

Identification of major programs

CFDA Number

Name of Federal Program or Cluster

10.665

Forest Reserve

10.553-10.555

Child Nutrition Cluster

84.048

Vocational Program: Voc & Applied Tech Secondary II

Dollar threshold used to distinguish  
between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

x Yes     \_\_\_ No

*State Awards*

Internal control over state programs:

Material weakness(es) identified?

\_\_\_ Yes     x No

Significant deficiency(ies) identified  
that are not considered to be material  
weakness?

\_\_\_ Yes     x None reported

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

Unqualified

EL DORADO UNION HIGH SCHOOL DISTRICT  
SUMMARY OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2009

---

**Section II - Financial Statements Findings**

2009 - 1 - ASSOCIATED STUDENT BODY - 30000

Specific Requirement That Was Not Complied With: Sound accounting policies require retention of adequate supporting documentation for student body deposits. Sound accounting policies also require dual signatures from appropriate administrative personnel on checks disbursed from student body funds.

Finding: During the audit of the District's Student Body Accounts, we noted the following exceptions:

1. Independence High School - We selected a sample of four (4) deposits, and found there were no supporting documents retained other than the bank deposit slip.
2. Shenandoah High School - There were no supporting documents for the deposits selected for cash receipt testing. We also noted there was only one signature present on cancelled checks.

Effect: The lack of adequate controls noted may lead to the following:

1. Without the supporting documentation, it is not possible to verify that all cash and checks are properly deposited into the bank.
2. The lack of two signatures may allow for undetected misappropriation of student funds.

Recommendation: We recommend the District instruct the sites to retain supporting documentation for all amounts deposited. All supporting documentation should be attached to the related deposit slip to provide an adequate audit trail. We recommend the District require two signatures, on all checks disbursed from student body funds, by appropriate administrative personnel.

District Response: District agrees with the findings and recommendations. School site staffs responsible for the accounting functions of the student body accounts have been provided written instruction on:

1. Required supporting documentation to be retained for deposits made
2. District policy requiring 2 signatures on checks written on all district accounts, as evidenced in Board Resolution 2009/10-02 (renewed annually.)

2009 - 2 - CASH RECEIPTS-GENERAL FUND - 30000

Specific Requirement That Was Not Complied With: Sound accounting policies require timely deposits of District funds to ensure maximization of earnings and eliminate misappropriation of cash.

EL DORADO UNION HIGH SCHOOL DISTRICT  
SUMMARY OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2009

---

**Section II - Financial Statements Findings (Concluded)**

2009 - 2 - CASH RECEIPTS-GENERAL FUND - 30000 (CONCLUDED)

Finding: During our testing of the controls over cash receipts we noted, in certain instances, that cash received by the District Office accounting staff was being held at school sites in excess of one month before being transmitted to the District Office for deposit to the bank.

Effect: Misappropriation or loss of the cash may occur and the District may lose potential interest earned on undeposited receipts.

Recommendation: The District should implement policies to ensure deposits are made in a timely manner.

District Response: District agrees with the finding and recommendation. School site administrative staffs have been requested to review site processes to ensure they comply with current district standards of timely deposits of all cash receipts.

District administration has also made online payment processing available to students/parents in order to mitigate the potential of loss of funds (either by misappropriation or loss of interest earned.)

**Section III - Federal Award Findings and Questioned Costs**

No matters are reported

**Section IV - State Award Findings and Questioned Costs**

No matters are reported

EL DORADO UNION HIGH SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

JUNE 30, 2009

---

<u>Findings/Recommendations</u>	<u>Current Status</u>	<u>Explanation if Not Fully Implemented</u>
1. The District should determine if the Adult Education Fund can generate profits sufficient to repay the General Fund. If a plan to repay cannot be established then the temporary borrowing between the Funds should be revised to reflect a permanent transfer.	Accepted Implemented	
2. The District should implement procedures to timely record fixed assets additions and deletions during the year. Additionally, procedures should be developed to ensure the fixed asset list is verified by performing annual physical inventories. Differences between the asset list and the actual inventory observation should be reviewed and the asset lists corrected based on the physical inventory.	Accepted Implemented	

APPENDIX B

FORM OF CONTINUING DISCLOSURE CERTIFICATE

## APPENDIX B

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

**\$17,300,000**

**EL DORADO UNION HIGH SCHOOL DISTRICT  
(EL DORADO COUNTY, CALIFORNIA)  
GENERAL OBLIGATION BONDS, ELECTION OF 2008, SERIES 2010**

### **CONTINUING DISCLOSURE CERTIFICATE**

Dated: [closing date]

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the El Dorado Union High School District (the “District”) in connection with the issuance of the above-referenced bonds (the “Bonds”) pursuant to a Paying Agent Agreement dated September 1, 2008, as amended and supplemented by a First Supplemental Paying Agent Agreement, dated August 1, 2010 (as so amended and supplemented, the “Paying Agent Agreement”), between Wells Fargo Bank, National Association, as paying agent (the “Paying Agent”) and the District; and in connection therewith the District covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the District for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

**SECTION 2. Definitions.** In addition to the definitions set forth in the Paying Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

**Annual Report** means any Annual Report provided by the District pursuant to, and as described in, Sections 3 (Provision of Annual Reports) and 4 (Content of Annual Reports) of this Disclosure Certificate.

**Beneficial Owner** means any person that (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

**Bondholders** means either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any Beneficial Owner or applicable participant in its depository system.

**Dissemination Agent** means the District, or any successor Dissemination Agent designated in writing by the District and that has filed with the District a written acceptance of such designation.

**Listed Events** means any of the events listed in Section 5(a) (Reporting of Significant Events -- Listed Events) of this Disclosure Certificate.

**MSRB** means the Municipal Securities Rulemaking Board.

**Official Statement** means the final Official Statement relating to the Bonds dated July 21, 2010.

**Opinion of Bond Counsel** means a written opinion of a law firm or attorney experienced in matters relating to obligations the interest on which is excluded from gross income for federal income tax purposes.

**Participating Underwriter** means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

**Repository** shall mean MSRB or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

**Rule** means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### SECTION 3. Provision of Annual Reports.

a. Delivery of Annual Report to Repository. The District shall, or shall cause the Dissemination Agent to, not later than April 15 of each fiscal year commencing April 15, 2011, provide to the Repository an Annual Report that is consistent with the requirements of Section 4 (Content of Annual Reports) of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 (Content of Annual Reports) of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

b. Change of Fiscal Year. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d) (Notice of Listed Events).

c. Delivery of Annual Report to Dissemination Agent. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (Delivery of Annual Report to Repository) for providing the Annual Report to the Repository, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District.

d. Report of Non-Compliance. If the District is unable to provide an Annual Report to the Repository by the date required in subsection (a) (Delivery of Annual Report to Repository), the Dissemination Agent shall send a notice to the Repository in substantially the form attached as Exhibit A.

e. Annual Compliance Certification. The Dissemination Agent shall, if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate and stating the date it was provided.

SECTION 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

a. Financial Statements. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) (Delivery of Annual Report to Repository), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements

contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available;

b. Annual Budget. The District's approved annual budget for the then-current fiscal year;

c. Interim Financial Report. The most recent Interim Financial Report submitted to the District's governing board in accordance with the Education Code section 42130 (or its successor statutory provision) together with any supporting material submitted to the governing board.

d. Assessed Value. Assessed value of taxable property (secured, unsecured, and total) in the District as shown on the most recent equalized assessment roll; and

e. Delinquency Rate. If the County of El Dorado discontinues the Teeter Plan with respect to the taxes levied for debt service on the Bonds, the delinquency rate of taxes for the immediately preceding fiscal year.

Any or all of the items listed above may be included by specific reference to other documents available to the public on the MSRB's Internet Web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

#### SECTION 5. Reporting of Significant Events.

a. Listed Events. Pursuant to the provisions of this Section, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (7) modifications to rights of Bondholders;
- (8) "bond calls" (i.e., calls for redemption of Bonds);
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds;
- (11) rating changes; and
- (12) initiation of bankruptcy proceedings by the District.

b. Determination of Materiality of Listed Events. Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

c. Notice to Dissemination Agent. If the occurrence of a Listed Event would be material under applicable federal securities laws, the District shall promptly notify the Dissemination Agent (if other than the District) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (d) (Notice of Listed Events).

d. Notice of Listed Events. The District shall file, or cause the Dissemination Agent to file, a notice of the occurrence of a Listed Event, if material, with the Repository.

Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) (bond calls) and (9) (defeasances) need not be given under this subsection any earlier than the notice (if any) to Bondholders of affected Bonds pursuant to the Paying Agent Agreement.

SECTION 6. Submissions to Repository. All documents shall be submitted to the Repository in an electronic format and shall be accompanied by identifying information, all as prescribed by the Repository.

SECTION 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(d) (Notice of Listed Events).

SECTION 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the District, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the District.

b. Compensation of Dissemination Agent. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, Bondholders or Beneficial Owners, or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the District or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

a. Change in Circumstances. If the amendment or waiver relates to the provisions of Sections 3(a) (Delivery of Annual Report to Repository), 4 (Content of Annual Reports), or 5(a) (Listed Events), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or the type of business conducted;

b. Compliance as of Issue Date. The undertaking, as amended or taking into account such waiver, would, based upon an Opinion of Bond Counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

c. Consent of Holders; Non-impairment Opinion. The amendment or waiver either (i) is approved by the Bondholders in the same manner as provided in the Paying Agent Agreement for

amendments to the Paying Agent Agreement with the consent of Bondholders, or (ii) does not, based on an Opinion of Bond Counsel, materially impair the interests of the Bondholders or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the District shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(d) (Notice of Listed Events), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Bondholder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Paying Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or wilful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and Bondholders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

**IN WITNESS WHEREOF** the District has caused this Continuing Disclosure Certificate to be signed by its authorized officer on the date first written above.

**EL DORADO UNION HIGH SCHOOL DISTRICT**

By: \_\_\_\_\_  
Stephen Luhrs, Associate Superintendent Business

EXHIBIT A

FORM OF NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: El Dorado Union High School District  
Name of Bonds: El Dorado Union High School District (El Dorado County, California),  
General Obligation Bonds, Election of 2008, Series 2010  
Date of Issuance: [closing date]

NOTICE IS HEREBY GIVEN that El Dorado Union High School District (the "District") has not provided an Annual Report with respect to the above-named Bonds (the "Bonds") for the fiscal year ended June 30, \_\_\_\_, as required by a Continuing Disclosure Certificate executed on [closing date], with respect to the Bonds. The District anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

EL DORADO UNION HIGH SCHOOL DISTRICT

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## APPENDIX C

### FORMS OF OPINION OF BOND COUNSEL

## APPENDIX C

### **FORM OF OPINION OF BOND COUNSEL**

[Closing Date]

Board of Trustees  
El Dorado Union High School District  
4675 Missouri Flat Road  
Placerville, California 95667

Re:               \$17,300,000  
                  El Dorado Union High School District  
                  General Obligation Bonds, Election of 2008, Series 2010  
                  ***Final Bond Counsel Opinion***

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the El Dorado Union High School District (the "District") of \$17,300,000 principal amount of El Dorado Union High School District (El Dorado County, California) General Obligation Bonds, Election of 2008, Series 2010 (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1.       The Bonds have been duly authorized and executed by the District and are valid and binding general obligations of the District.
2.       All taxable property in the territory of the District is subject to *ad valorem* taxation without limitation regarding rate or amount (except certain personal property that is taxable at limited rates) to pay the Bonds. The County of El Dorado is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent that necessary funds are not provided from other sources.
3.       Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, nor is such interest taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in the preceding sentence are subject to the condition

that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

4. Interest on the Bonds is exempt from State of California personal income taxation.

The rights of the owners of the Bonds and the enforceability thereof are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or other offering material relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

KRONICK, MOSKOVITZ, TIEDEMANN & GIRARD,  
A Professional Corporation

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APPENDIX D  
COUNTY INVESTMENT POLICY

**EL DORADO COUNTY  
POOLED INVESTMENTS  
STATEMENT OF INVESTMENT POLICY**

*The County of El Dorado is a Charter County which invests its funds in accordance with the California Government Code.*

*The criteria of selecting investments and the order of priority are:*

1. Safety of principal
2. Liquidity
3. Public Trust
4. Yield

*Relative to safety, a heavy reliance will be placed upon government securities and real estate mortgage collateral.*

*Government bills, notes, and government agency paper guaranteed by the full faith and credit of the United States Government are considered to be the highest quality investments available.*

*For the uninsured portion of any investment, banks and savings and loans are required to pledge either blocks of Federal securities as collateral at 110% of the County's investment, or banks and savings and loans are required to pledge blocks of real estate mortgages as collateral at 150% of the investment. While the County recognizes that all investments carry a certain degree of risk, the Treasury attempts to minimize the risks relative to safety of principal.*

*The County attempts to schedule its maturities to meet anticipated cash needs.*

*All participants in the investment process shall seek to act responsibly as custodians of the public trust.*

*To maximize yields, El Dorado County utilizes computerized cash management reporting systems and compares offerings from more than one source. All measures of return on investment shall be based upon the overall portfolio performance, with individual investment (or investment type) performance being of secondary regard. Proper diversification should support this rationale.*

**Reporting**

*On no less than a quarterly basis, the Treasury shall submit to the Board of Supervisors, the Treasury - Policy Oversight Committee, and the Chief Administrative Officer a report of investments. The County Oversight Committee shall cause an annual audit to occur.*

## **Investments**

The County investment pool operates with many State and self-imposed constraints and does not buy stocks or deal in futures or options. The Treasury does not invest in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages. Proceeds from Tax Revenue Anticipation Notes or Grant Anticipation Notes shall not be invested for a term exceeding the term of the note. No investment may exceed five years to maturity nor have an underlying investment in excess of five years. **FDIC insured instruments and all instruments backed by the full faith and credit of the United States Government are permitted investments within the limiting constraints of the California Government Code.**

### Maximum Percentage/Portfolio

a) US Treasury Notes, Bonds, Bills	Unlimited %	Maximum 5 year term
b) Bankers Acceptances	40%, no more than 5% with any one bank	Maximum 180 day term
c) Domestic Commercial Paper	20% maximum, no more than 5% with any single issuing corporation, .	Maximum 31 day term
d) Negotiable Certificates of Deposit	30%, no more than 5% with any one bank	Maximum 5 year term
e) Certificates of Deposit, Non-negotiable	Unlimited %	Maximum 5 year term
f) Repurchase Agreement	Unlimited %, no more than 5% with any one company	Maximum 1 year term
g) Agencies	Unlimited %, no more than 5% with any one agency	Maximum 3 year term
h) Demand Deposit Savings Accounts	Unlimited %	Maximum 5 year term
i) State Warrants	Unlimited %	Maximum 1 year term
j) Local Agency Investment Fund	Unlimited %	N/A

\*LAIF operates under GC sections 16429.1 and 16430, with investment policies and regulations that may differ from El Dorado County's.

k) <b>Medium-Term notes of U.S. Corporations &amp; Depository Institutions (and/or Corporate or Bank notes) guaranteed by the Federal Deposit Insurance Corporation and issued under the Temporary Liquidity Guarantee Program (TLGP).</b>	<b>30%</b>	<b>Maximum 3 year term</b>
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**l) Commercial Paper under FDIC 40%  
Temporary Liquidity Guarantee  
Program.**

**Maximum 270 Day  
term**

*Certificates of deposit, savings accounts, repurchase agreements, and bankers acceptances are insured or secured with collateral. Only domestic Commercial Paper with the highest letter and numerical ratings is purchased. The County recognizes that all investments carry a certain degree of risk.*

### **Safekeeping**

*All securities purchased shall be held in safekeeping by a third party custodian pursuant to an agreement between the custodian and the County Treasury. "Delivery versus payment" shall be used for securities transactions, and no security will be held by the broker/dealer from whom purchased.*

### **Criteria for Broker Selection**

*Any broker, brokerage, dealer, or securities firm that has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board to the local treasurer, any member of the governing board of the local agency, or a candidate for those offices, shall not sell to (or purchase from) the County Treasury securities or other instruments.*

### **Criteria for Considering Agency Request to Withdraw from Pool**

*Pursuant to GC27136, depositors who seek to withdraw funds for investing or depositing those funds outside the County Treasury pool shall first submit the request for withdrawal to the County Treasurer in writing.*

*The County Treasurer will honor all requests to withdraw funds for normal cash flow purposes that are approved by the El Dorado County Auditor-Controller at a one-dollar net asset value.*

*Any requests to withdraw funds for purposes other than cash flow, such as external investing, shall be subject to the consent of the County Treasurer. In accordance with California Government Code Section 27136 et seq. and 27133(h) et seq., such requests for withdrawals must first be made in writing to the County Treasurer. These requests are subject to the County Treasurer's consideration of the stability and predictability of the Pooled Investment Fund.*

*Assessment of the effect of a proposed withdrawal on the stability and predictability of the investments in the Pooled Investment Fund will be based on the following criteria:*

- 1) *Size of withdrawal*

- 2) *Size of remaining balance of:*
  - a) *Pool*
  - b) *Agency*
- 3) *Current market conditions*
- 4) *Duration of withdrawal*
- 5) *Effect on predicted cash flows*
- 6) *A determination if there will be sufficient balances remaining to cover costs.*
- 7) *Adequate information has been supplied to the County Treasurer in order to make a proper finding that other pool participants will not be adversely affected.*

*Note: To accommodate agencies with their own boards and with a desire for flexibility, withdrawals for the purpose of investing outside the County Pool will be permitted if an agency's balance of funds outside the County Treasury Pool does not exceed a total of \$115,000.00 at any time during the year. These small balances will be considered as not affecting the other pool participants. This total "not to exceed" is the total for the agency, not a total by fund. The balance remaining in the Treasury must not be in a negative (deficit) position or all funds must be immediately returned to the Treasury, and the privilege to withdraw any amount will be revoked and not reinstated for a period of six months. Any agency withdrawing funds must comply with all government code sections related to withdrawal of funds, investment of funds, and bonding, as applicable.*

*For outside investors who utilize Government Code Section 53684, where the County Treasurer does not serve as the agency's treasurer, any withdrawal request must be made in writing 30 days in advance per Government Code Section 53684(d).*

*In no event shall funds be withdrawn that, in the judgement of the County Treasurer, will adversely affect the interest of the other participants in the pool.*

#### **Criteria for Non-Statutory Agency Request to Participate in Pool**

*All entities qualifying under Government Code Section 27133(g) may deposit funds for investment purposes providing the following has been accomplished:*

*The agency's administrative body has requested in writing the privilege, has agreed to all terms, conditions, rules, and regulations of existing participants as prescribed by the County Treasurer, and has delivered to the County Treasury a resolution identifying the authorized officer(s) acting on behalf of the agency.*

#### **Apportioning Treasury Cost**

*As authorized under GC27013, the actual administrative cost of investing, depositing, cash handling, and other management costs associated with the accounting of funds, the deposit of funds, the reconciling of accounts, the interest apportionment, and the investment of funds for the pool will be apportioned among the depositors on the basis of each entity's average daily cash balance. For ease of accounting, all costs are offset against the interest earned before the interest is apportioned.*

### **Apportioning Investment Losses**

*Given the inherit risk of any investment, in the event of a loss, it will be recorded by apportioning the amount among the depositors on the basis of each funds investment earnings in the twelve month period immediately prior to and including the month of recognition. If a subsequent recovery occurs, either partial or complete, the recovery will be distributed among the depositors in the same proportion as the original loss was apportioned.*

### **Treasury - Policy Oversight Committee**

*The Treasury - Policy Oversight Committee is prohibited by law from directing the day-to-day operations of the Treasury, and a member of the committee or the Treasury may not:*

- *Receive honoraria, gifts, or gratuities in excess of the limits set forth in GC89503 as administered by the Fair Political Practices Commission.*
- *Be employed by an entity that has:*
  - *Directly or indirectly contributed to a candidate for Treasurer or contributed to the campaign of a candidate to be a member of the governing board of any local agency that has deposited funds in the County Treasury while a member of the Committee. (GC27132.1 and GC27132.2)*
- *Secure employment in the financial services industry while a member or for three years after leaving the Committee. (GC27132.3)*

APPENDIX E

BOND PROJECT LIST

## **APPENDIX E**

### **BOND PROJECT LIST**

Modernize facilities to meet current fire and safety codes  
Repair or replace aging roofs  
Career Technical Education (Job Training) Facilities and Equipment  
Electrical, Plumbing, HVAC upgrades  
Classroom Technology, Computer Labs, and Technology Infrastructure  
Repair/Renovate Science Classrooms & Labs  
Improve Access for People with Disabilities  
Expand and repair library facilities  
Repair Restroom Facilities  
Health & Fitness Facilities (Tracks & Fields)  
Health & Fitness Building and Equipment Improvements  
Modernize/Replace 20+ Year Old Portables  
Performing Arts Expansion/Renovations  
Parking and Traffic Flow Improvements

1228 N Street, Suite 13  
Sacramento, CA 95814  
(916) 444-5100

