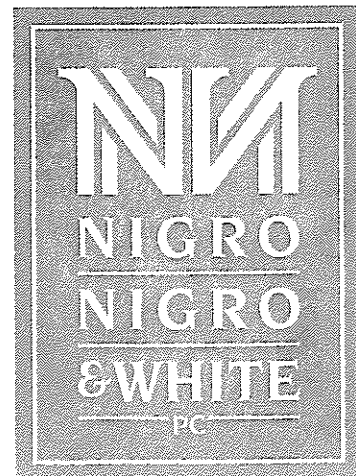


ORANGE UNIFIED SCHOOL DISTRICT

COUNTY OF ORANGE
ORANGE, CALIFORNIA

AUDIT REPORT

June 30, 2007



ORANGE UNIFIED SCHOOL DISTRICT
AUDIT REPORT
June 30, 2007

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ORANGE UNIFIED SCHOOL DISTRICT
AUDIT REPORT
June 30, 2007

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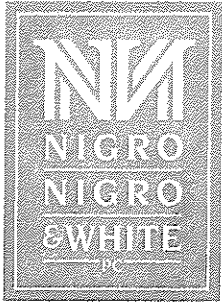
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A Professional
Accountancy Corporation

Board of Trustees
Orange Unified School District
Orange, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Orange Unified School District, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Orange Unified School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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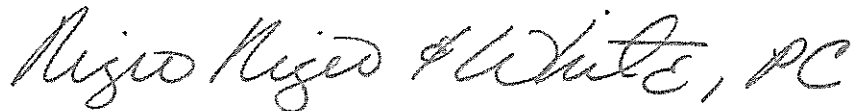
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 Orange School District, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2007 on our consideration of the Orange Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 12, the budgetary comparison information on page 52, and the schedule of funding progress on page 53 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, consisting 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 performed for the purpose of forming opinions on the financial statements that collectively comprise Orange Unified School District's basic financial statements. The other supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



San Diego, California
November 5, 2007

Management's Discussion and Analysis

ORANGE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2007

This discussion and analysis of Orange Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2007. The intent of the analysis is to look at the District's financial performance as a whole; readers should also review the auditor's transmittal letter, notes to the basic financial statements and the basic government wide financial statements to enhance their understanding of the District's financial performance.

OVERVIEW OF THE FINANCIAL STATEMENTS

THE FINANCIAL STATEMENTS

- The comprehensive annual financial report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Orange Unified School District as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.
- The Statement of Net Assets and the Statement of Activities 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 District's major funds with all other non-major funds presented in total in one column.
- The major funds for Orange Unified School District are the General Fund, the Special Reserve for Capital Outlay and the Capital Project Fund for Blended Component Units.
- The Management Discussion and Analysis Statement is provided to assist our citizens, taxpayers and investors in reviewing the District's finances and to show the District's accountability for the money it receives.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- Revenues increased by \$16.1 million to a total of \$265.9 million. Total revenues exceeded expenses of \$260.9 million by \$5 million.
- General revenues accounted for \$189.1 million or 71% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$76.8 million or 29% of total revenues of \$265.9 million.
- Long-term outstanding debt has increased by \$9.3 million or 12% due to the establishment of Community Facilities District No. 2006-2.

ORANGE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2007

FINANCIAL HIGHLIGHTS OF THE PAST YEAR (continued)

- Enrollment in the District decreased by 770. This has caused funding to decrease.
- The General Fund reported a positive fund balance of \$24.5 million; this is an increase of \$2.8 million or 13%.

REPORTING THE DISTRICT AS A WHOLE

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

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

These two statements report the District's net assets and changes in them. Net assets are the difference between assets and liabilities, one way to measure the District's financial health or *financial position*. Over time, *increases or decreases* in the District's net assets are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

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

In the *Statement of Net Assets* and the *Statement of Activities*, we separate the District activities as follows:

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

ORANGE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2007

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

Proprietary funds – When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Assets* and the *Statement of Revenues, Expenses, and Changes in Fund Net Assets*. These statements provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities – such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities and retiree health benefits held in trust. The District's fiduciary activities are reported in separate *Statement of Net Assets and Liabilities*. 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 purpose.

ORANGE UNIFIED SCHOOL DISTRICT
 Management's Discussion and Analysis (Unaudited)
 Year Ended June 30, 2007

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$92.5 million for the fiscal year ended June 30, 2007. Of this amount, \$63.3 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table A-1
Orange Unified School District's Net Assets

	(in millions)		Total
	Governmental Activities		Percentage
	2006	2007	Change
			2006-07
Current and other assets	\$117.1	\$125.3	7%
Capital assets	65.2	84.1	29%
Total assets	\$182.3	\$209.4	15%
Other liabilities	\$20.5	\$33.3	63%
Long-term liabilities	74.3	83.6	13%
Total liabilities	\$94.8	\$116.9	23%
Total net assets	\$87.5	\$92.5	6%

ORANGE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2007

Changes in Net Assets

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

Table A-2
Changes in Orange Unified School District's Net Assets

	(in millions)		Total
	Governmental Activities		Percentage
	2006	2007	Change
			2006-07
Revenues:			
<i>Program revenues</i>			
Charges for services	\$ 11.5	\$ 12.5	8%
Operating grants and contributions	53.4	63.6	19%
Capital grants and contributions	2.8	0.9	-100%
<i>General revenues</i>			
Property taxes	109.6	113.1	3%
Other revenues	77.7	75.9	-2%
Total revenues	255.0	265.9	4%
Expenses:			
Instruction-related	170.0	185.2	9%
Student support services	22.8	25.0	10%
Maintenance & operations	24.9	26.2	5%
Administration	10.3	9.6	-6%
Other expenses	16.4	14.9	-9%
Total expenses	244.4	260.9	7%
Increase in net assets	\$ 10.6	\$ 5.0	221%

Governmental Activities

As reported in the Statement of Activities on page 14, the cost of all our governmental activities this year was \$260.9 million. However the amount that our taxpayers ultimately financed for these activities through local taxes was only \$110.9 million because the cost was paid by those who benefited from the programs (\$12.5) million or by other governments and organizations who subsidized certain programs with grants and contributions (\$64.4 million).

ORANGE UNIFIED SCHOOL DISTRICT
 Management's Discussion and Analysis (Unaudited)
 Year Ended June 30, 2007

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had \$151.8 million invested in a broad range of net capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions and depreciation) of just over \$21.7 million or 17% from last year.

Table A-4
Orange Unified School District's Capital Assets

	(In millions)		Total Percentage
	Governmental Activities		Change
	2006	2007	2006-07
Land	\$19.7	\$19.7	0%
Site Improvements	13.0	13.1	1%
Buildings	81.3	82.5	1%
Equipment and furniture	13.7	14.0	2%
Work in progress	2.3	22.6	882%
Total	\$130.0	\$151.8	17%
This year's additions (including work in progress) included in millions:			
El Modena Gym	\$1.1	\$1.1	0%
Kelly Stadium	1.8	-	-100%
Modernization Projects (9 schools below)	1.4	-	-100%
Total	2.3	22.6	883%
	\$6.6	\$23.7	259%

As of June 30, 2007, the District had invested more than \$84 million, net of depreciation, in a broad range of capital assets, including building, furniture, computer equipment and vehicles. During the fiscal year, the District started the modernization of 9 schools namely: California Elementary School, Esplanade Elementary School, Fairhaven Elementary School, Jordan Elementary School, Lampson Elementary School, Prospect Elementary School, Sycamore Elementary School, Portola Middle School, and Yorba Middle School. It is anticipated that the modernization projects for Prospect, Jordan, and Esplanade Elementary Schools will be completed in the 2007-08 fiscal year.

ORANGE UNIFIED SCHOOL DISTRICT
 Management's Discussion and Analysis (Unaudited)
 Year Ended June 30, 2007

At the end of this year, the District has \$83.6 million in long-term debt versus \$74.3 million last year, which is a increase of 12.59%. Those long term liabilities consisted of:

Table A-5
 Orange Unified School District's Long-Term Debt
 (In millions)

	2006	2007	Total Percentage Change 2006-07
Certificates of participation	\$52.0	\$51.4	-1%
Compensated absences	2.9	2.6	-10%
Capital leases	0.6	6.0	900%
Special tax revenue bonds	18.7	23.5	26%
Child development portables	0.1	0.1	0%
Total	\$74.3	\$83.6	13%

The overall long-term debt increased from \$74.3 million to \$83.6 million. This is mainly due to the establishment of Community Facilities District No. 2006-2 (Del-Rio) for \$5,920,000, providing for a special tax to pay for certain public facilities and bonded indebtedness and \$5,648,566 for an energy management capital lease. Compensated absences decreased by \$375,313 which agreed with the District's projection and budget allowances. The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

ORANGE UNIFIED SCHOOL DISTRICT
 Management's Discussion and Analysis (Unaudited)
 Year Ended June 30, 2007

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The total budgeted attendance of 26,658 (not including District charter schools) reflects a net decrease of 140 ADA in general education, special education, and adult education as compared to 2006/07. This decrease represents a .5% decline in ADA as compared to 2006/07. The Budget for 2007/08 includes funding for a cost of living adjustment (COLA) of 4.58%

Expenditures are projected to increase in negotiated salary adjustment and step and column increase for all employees.

	<u>Staffing Ratio</u>
Grades one through three	19:1
Grade K and Grades four through six	30:1
Grades seven through twelve	32:1

Class Size Reduction Option One, Grades 1-3; Option Two, Grade K
 9th Grade English and Math Class Size Reduction

The new items specifically addressed in the budget are:

Revenue Limit COLA	4.53%
Revenue Limit Deficit	0%
State and Federal COLA	4.53%
Health and Welfare Increase	0%
Employee Salary Increase	
Certificated	0%
Classified	0%
Leadership	0%

ORANGE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2007

FACTORS BEARING ON THE DISTRICT'S FUTURE

On August 21, 2007, the State Legislature passed the 2007-08 Budget Bill, along with implementing legislation. The Governor signed the budget on August 24, after using his line item veto authority to reduce General Fund appropriations by \$703 million. The budget package authorizes total General Fund spending of \$102.3 billion. The 2007-08 budgeted expenditures do not exceed revenues. By comparison, state spending exceeded revenues by more than \$5 billion in 2006-07. Based on the 2007-08 budget plan's policies, however, the state would once again face operating shortfalls of more than \$5 billion in both 2008-09 and 2009-10. This is because many of the solutions enacted in the budget plan are of a one-time nature.

The budget for 2007-08 includes \$57.1 billion in total ongoing Proposition 98 spending. This reflects an increase of \$2.1 billion, or 3.8 percent, over the prior year. Whereas General Fund support covers about one-third of this increase, additional local property tax revenue covers the remainder of the total increase, K-12 educational funding grows by \$1.8 billion, or 3.7 percent, and community college funding grows by \$289 million, or 4.9 percent.

Year-to-year growth in the Proposition 98 minimum guarantee is insufficient to cover all 2007-08 K-14 baseline costs. In response, the Legislature made adjustments to the Proposition 98 budget- all relating to K-12 education. In particular, the budget package uses a considerable amount of one-time and special fund monies (\$567 million) to support baseline K-12 costs. The state, therefore, will enter 2008-09 with a large ongoing shortfall for K-12 education.

Several factors complicate year-to-year per pupil spending comparisons. For K-12 education, the comparisons are complicated by the substantial reliance on one-time and special fund monies. If these monies are not included, ongoing Proposition 98 K-12 spending is \$8,563 per pupil in 2007-08 – an increase of \$345, or 4.2 percent, over the current year. If the one-time and special fund monies are included, per pupil spending rises to \$8,635 – an increase of \$417, or 5.1 percent. For K-12 education, the bulk of new spending (\$2.4 billion) is for a 4.53 percent COLA. K-12 education also achieves savings from a projected 0.48 percent decline in average daily attendance. The budget increases the proposition 98 share of child care funding by \$269 million, thereby achieving a like amount of General Fund savings. The budget provides \$29 million to increase the school meals reimbursement rate from 15 cents to 21 cents per meal. (Technically, the budget provides \$4.3 million to increase the rate from 15 cents to 16 cents, consistent with a 4.53 percent COLA, and an additional \$24.9 million to further increase the rate to 21 cents, consistent with statutory directive.)

In addition to the \$2.1 billion increase in ongoing Proposition 98 monies, the budget provides \$703 million one-time Proposition 98 and special fund monies for K-14 education. \$567 million is for ongoing K-12 transportation, maintenance, and district/school intervention costs. (This amount reflects the ongoing shortfall discussed above.) In addition, \$100 million is provided for the K-12 Emergency Repair Program, and \$15 million is provided for various other one-time K-12 initiatives.

ORANGE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2007

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent, Business Services, at Orange Unified School District, 1401 North Handy, Orange, CA 92667, or via e-mail at jarchibald@orangeusd.k12.ca.us.

Financial Section

ORANGE UNIFIED SCHOOL DISTRICT
Statement of Net Assets
June 30, 2007

	Total Governmental Activities
ASSETS	
Cash	\$ 95,073,729
Accounts receivable	29,911,290
Inventories	289,780
Capital assets:	
Land	19,687,697
Improvement of sites	13,073,074
Buildings	82,466,869
Furniture and equipment	14,026,594
Work in progress	22,577,510
Less accumulated depreciation	(67,706,910)
Total capital assets, net of depreciation	<u>84,124,834</u>
Total assets	<u>\$ 209,399,633</u>
LIABILITIES	
Accounts payable and current liabilities	\$ 32,386,639
Deferred revenues	932,611
Long-term liabilities:	
Portion due or payable within one year:	
Certificates of participation payable	610,000
Capital leases payable	348,917
Other general long-term debt	1,165,000
Portion due or payable after one year:	
Certificates of participation payable	50,870,000
Capital leases payable	5,668,332
Compensated absences payable	2,574,647
Other general long-term debt	22,375,000
Total liabilities	<u>116,931,146</u>
NET ASSETS	
Invested in capital assets, net of related debt	3,087,585
Restricted for:	
Capital projects	14,647,806
Debt service	5,148,961
Educational programs	6,319,548
Unrestricted	<u>63,264,587</u>
Total Net Assets	<u>\$ 92,468,487</u>

The notes to the financial statements are an integral part of this statement.

ORANGE UNIFIED SCHOOL DISTRICT
Statement of Activities
June 30, 2007

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Instructional Services:						
Instruction	\$ 149,830,917	\$ 5,722,954	\$ 38,646,285	\$ 768,716		\$ (104,692,962)
Instruction-Related Services:						
Supervision of instruction	10,976,640	210,553	6,555,591	-		(4,210,496)
Instructional library, media and technology	5,798,242	36,311	2,134,090	-		(3,627,841)
School site administration	18,558,892	1,772,998	591,418	-		(16,194,476)
Pupil Support Services:						
Home-to-school transportation	6,990,960	247,234	2,974,669	-		(3,769,057)
Food services	7,653,879	3,268,790	4,461,063	-		75,974
All other pupil services	10,354,064	660,332	1,739,481	-		(7,954,251)
General Administration Services:						
Data processing services	1,297,263	-	970,988	-		(326,275)
Other general administration	8,335,009	395,035	2,566,609	-		(5,373,365)
Plant services	26,191,588	130,822	2,091,771	-		(23,968,995)
Ancillary services	1,875,080	-	96,054	-		(1,779,026)
Community services	126,943	-	-	-		(126,943)
Interest on long-term debt	1,593,506	-	-	-		(1,593,506)
Other outgo	11,300,354	12,647	745,902	-		(10,541,805)
Total Governmental Activities	\$ 260,883,337	\$ 12,457,676	\$ 63,573,921	\$ 768,716		\$ (184,083,024)
General Revenues:						
Taxes:						
						\$ 109,972,783
						3,121,181
						65,167,099
						5,833,503
						4,063,897
						894,856
						<u>189,053,319</u>
						4,970,295
						<u>87,498,192</u>
						<u>\$ 92,468,487</u>

The notes to the financial statements are an integral part of this statement.

ORANGE UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2007

	General Fund	Special Reserve for Capital Outlay Fund	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 22,604,911	\$ 350,289	\$ 46,882,352	\$ 16,642,321	\$ 86,479,873
Accounts receivable	17,951,539	11,364,242	-	559,572	29,875,353
Inventories	148,571	-	-	141,209	289,780
Due from other funds	432,698	20,935	-	1,204,808	1,658,441
Total Assets	\$ 41,137,719	\$ 11,735,466	\$ 46,882,352	\$ 18,547,910	\$ 118,303,447
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued liabilities	\$ 14,262,472	\$ 3,649,083	\$ 10,259,898	\$ 1,673,913	\$ 29,845,366
Due to other funds	1,405,192	193	-	449,082	1,854,467
Deferred revenue	929,069	-	-	3,542	932,611
Total Liabilities	16,596,733	3,649,276	10,259,898	2,126,537	32,632,444
Fund Balances					
Reserved for:					
Revolving cash	125,000	-	-	10,000	135,000
Inventories	148,571	-	-	141,209	289,780
Debt service	-	-	-	5,148,961	5,148,961
Categorical programs	6,319,548	-	-	-	6,319,548
Other purposes (expendable)	1,444,608	-	-	-	1,444,608
Unreserved:					
General fund	16,503,259	-	-	-	16,503,259
Capital projects funds	-	8,086,190	36,622,454	6,561,616	51,270,260
Other funds	-	-	-	4,559,587	4,559,587
Total Fund Balances	24,540,986	8,086,190	36,622,454	16,421,373	85,671,003
Total Liabilities and Fund Balances	\$ 41,137,719	\$ 11,735,466	\$ 46,882,352	\$ 18,547,910	\$ 118,303,447

The notes to the financial statements are an integral part of this statement.

ORANGE UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2007

Total fund balances - governmental funds		\$ 85,671,003
<p>Amounts reported for governmental <i>activities</i> in the statement of net assets are different because capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$151,831,744 and the accumulated depreciation is \$67,706,910.</p>		
		84,124,834
<p>Internal service funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net assets. Net assets for internal service funds are:</p>		
		7,321,263
<p>In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.</p>		
		(1,036,717)
<p>Long-term liabilities, including bonds payable, 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:</p>		
	Certificates of participation payable	51,480,000
	Capital leases payable	6,017,249
	Compensated absences	2,574,647
	Other general long-term debt	23,540,000
		<u>(83,611,896)</u>
Total net assets - governmental activities		<u>\$ 92,468,487</u>

The notes to the financial statements are an integral part of this statement.

ORANGE UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2007

REVENUES	General Fund	Special Reserve for Capital Outlay Fund	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
General Revenues:					
Property taxes	\$ 110,540,688	\$ 342,269	\$ 2,211,008	\$ -	\$ 113,093,965
Federal and state aid not restricted to specific purpose	65,367,098	-	-	-	65,367,098
Earnings on investments	2,782,856	277,198	2,295,520	577,222	5,932,796
Interagency Revenues	4,063,897	-	-	-	4,063,897
Miscellaneous	1,307,190	195,669	-	5,040,563	6,543,422
Program Revenues:					
Charges for services	4,895,976	-	-	7,561,700	12,457,676
Operating grants and contributions	56,663,461	-	-	6,910,458	63,573,919
Capital grants and contributions	-	-	-	768,716	768,716
Total revenues	<u>245,621,166</u>	<u>815,136</u>	<u>4,506,528</u>	<u>20,858,659</u>	<u>271,801,489</u>
EXPENDITURES					
Instructional Services:					
Instruction	145,490,453	-	-	4,108,204	149,598,657
Instruction-Related Services:					
Supervision of instruction	10,958,751	-	-	-	10,958,751
Instructional library, media and technology	5,808,059	-	-	1,882	5,809,941
School site administration	17,621,787	-	-	911,864	18,533,651
Pupil Support Services:					
Home-to-school transportation	6,989,282	-	-	-	6,989,282
Food services	225,329	-	-	7,540,855	7,766,184
All other pupil services	10,337,191	-	-	-	10,337,191
General Administration Services:					
Data processing services	1,316,373	-	-	-	1,316,373
Other general administration	7,886,699	-	-	441,923	8,328,622
Plant services	27,952,734	-	-	1,314,411	29,267,145
Facility acquisition and construction	848,767	63,786	17,156,437	3,250,144	21,319,134
Ancillary services	1,872,025	-	-	-	1,872,025
Community services	126,736	-	-	-	126,736
Other outgo					
Transfers between agencies	9,131,346	-	-	-	9,131,346
Debt service - issuance costs	-	-	99,289	-	99,289
Debt service - principal	496,021	14,336	1,585,000	1,554,678	3,650,035
Debt service - interest	119,543	687	3,315,467	1,153,942	4,589,639
Total Expenditures	<u>247,181,096</u>	<u>78,809</u>	<u>22,156,193</u>	<u>20,277,903</u>	<u>289,694,001</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,559,930)</u>	<u>736,327</u>	<u>(17,649,665)</u>	<u>580,756</u>	<u>(17,892,512)</u>
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	29,676	20,935	-	1,950,056	2,000,667
Proceeds from the issuance of bonds	-	-	5,920,000	-	5,920,000
Proceeds from capital lease	5,648,566	-	-	-	5,648,566
Interfund transfers out	(1,284,955)	(29,676)	-	(765,161)	(2,079,792)
Total Other Financing Sources and Uses	<u>4,393,287</u>	<u>(8,741)</u>	<u>5,920,000</u>	<u>1,184,895</u>	<u>11,489,441</u>
Net Change in Fund Balances	<u>2,833,357</u>	<u>727,586</u>	<u>(11,729,665)</u>	<u>1,765,651</u>	<u>(6,403,071)</u>
Fund Balances, July 1, 2006	<u>21,707,629</u>	<u>7,358,604</u>	<u>48,352,119</u>	<u>14,655,722</u>	<u>92,074,074</u>
Fund Balances, June 30, 2007	<u>\$ 24,540,986</u>	<u>\$ 8,086,190</u>	<u>\$ 36,622,454</u>	<u>\$ 16,421,373</u>	<u>\$ 85,671,003</u>

The notes to the financial statements are an integral part of this statement.

ORANGE UNIFIED SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2007

Total net change in fund balances - governmental funds \$ (6,403,071)

Amounts reported for governmental *activities* in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$21,796,999) exceed depreciation expense (\$2,917,374) in the period. 18,879,625

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: 1,932,334

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: (1,458)

In governmental funds, revenues are recognized only to the extent that they are "available," meaning they will be collected soon enough after the end of the period to finance expenditures of that period. In the government-wide statements, revenue is recognized when earned, regardless of availability. The amount of earned but unavailable revenues relating to the current period, less revenues that became available in the current period but related to a prior period is: (200,000)

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period 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: (186,635)

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: 375,313

In government 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. (11,568,566)

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was: 2,142,753

Change in net assets of governmental activities \$ 4,970,295

The notes to the financial statements are an integral part of this statement.

ORANGE UNIFIED SCHOOL DISTRICT
Statement of Fund Net Assets -- Proprietary Funds
June 30, 2007

	Governmental Activities
	Internal Service Fund
	<u> </u>
ASSETS	
Cash	\$ 8,593,856
Accounts receivable	35,936
Due from other funds	69,158
Total assets	<u>\$ 8,698,950</u>
 LIABILITIES	
Accounts payable and current liabilities	\$ 1,377,089
Due to other funds	598
Total liabilities	<u>1,377,687</u>
 NET ASSETS	
Unrestricted	<u>7,321,263</u>
 Total Net Assets	<u><u>\$ 7,321,263</u></u>

The notes to the financial statements are an integral part of this statement.

ORANGE UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Net Assets – Proprietary Funds
For the Year Ended June 30, 2007

	Governmental Activities
	<u>Internal Service Fund</u>
Operating Revenues	
In-district premiums	<u>\$ 3,588,112</u>
Operating Expenses	
Classified salaries	140,832
Employee benefits	44,298
Books and supplies	79
Services and other operating expenditures	<u>1,613,949</u>
Total Operating Expenses	<u>1,799,158</u>
Operating Income	1,788,954
Non-Operating Revenue	
Interest Income	<u>353,799</u>
Change in Net Assets	2,142,753
Total Net Assets - July 1, 2006	<u>5,178,510</u>
Total Net Assets - June 30, 2007	<u>\$ 7,321,263</u>

The notes to the financial statements are an integral part of this statement.

ORANGE UNIFIED SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2007

	Governmental Activities: Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	\$ 3,931,665
Cash payments for payroll, insurance and operating costs	<u>(1,601,745)</u>
Net cash provided by operating activities	<u>2,329,920</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>340,892</u>
Net increase in cash	2,670,811
Cash, July 1, 2006	<u>5,923,045</u>
Cash, June 30, 2007	<u>\$ 8,593,856</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,788,954
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Increase in internal activity	343,553
Increase in accounts payable and current liabilities	<u>197,413</u>
Net cash provided by operating activities	<u>\$ 2,329,920</u>

The notes to the financial statements are an integral part of this statement.

ORANGE UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Assets
June 30, 2007

	Trust Fund	Agency Funds	
	Retiree Benefits Fund	Student Body Funds	Total
Assets			
Cash	\$ 13,375,154	\$ 1,704,467	\$ 15,079,621
Accounts Receivable - Interest	48,748	-	48,748
Due from Other Funds	127,466	-	127,466
Total Assets	\$ 13,551,368	\$ 1,704,467	\$ 15,255,835
Liabilities			
Accounts Payable	\$ 941	-	\$ 941
Due to Student Groups	-	1,704,467	1,704,467
Total Liabilities	941	\$ 1,704,467	\$ 1,705,408
Net Assets	\$ 13,550,427		\$ 13,550,427

The notes to the financial statements are an integral part of this statement.

ORANGE UNIFIED SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets -- Trust Funds
For the Year Ended June 30, 2007

	Trust Fund
	<u>Retiree Benefits Fund</u>
ADDITIONS	
Interest	\$ 598,718
In-district contributions	837,083
Transfers in from other funds	<u>79,125</u>
Total additions	<u>1,514,926</u>
DEDUCTIONS	
Payments to retirees	<u>782,475</u>
Net Increase	732,451
Net assets held in trust - July 1, 2006	<u>12,817,976</u>
Net assets held in trust - June 30, 2007	<u><u>\$ 13,550,427</u></u>

The notes to the financial statements are an integral part of this statement.

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. 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 generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Reporting Entity

The Orange Unified School District and the Orange Unified School District Financing Corporation and the Orange Schools Community Facilities Districts have a financial and operational relationship that meets the reporting entity definition criteria of GASB Statement No.14, as amended by GASB 39, *The Financial Reporting Entity*, for inclusion of the corporation and the CFDs as a component unit of the District. Accordingly, the financial activities of the component units will be included in the financial statements of the District.

The CFD's were created for the sole purpose of financing the purchase, construction, expansion or rehabilitation of certain real and other tangible property with an estimated useful life of five years or longer, including elementary and secondary school sites and structures, and other governmental facilities which the District is authorized by law to contract, own or operate in order to meet increased demands placed upon the District as a result of developments or rehabilitation occurring within the areas covered by CFD Numbers 88-1, 89-1, 89-2, 2005-1, and 2005-2.

The following are those aspects of the relationship between the District and the component units that satisfy GASB Statement No.14 criteria.

Accountability:

1. The District's Board of Trustees appointed the component units' board of directors.
2. The District is able to impose its will upon the component units, based on the following:
 - a. All major financing arrangements, contracts, and other transactions of the component units must have the consent of the District.
 - b. The District exercises significant influence over operations of the component units, as the District is the sole lessee of all facilities owned by the component units. Likewise, the District's lease payments are the major revenue source of the component units.

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Reporting Entity (continued)

Accountability (continued):

3. The component units provide specific financial benefits or impose specific financial burdens on the District, based on the following:
 - a. Any deficits incurred by the component units will be reflected in the lease payments of the District.
 - b. Any surpluses of the component units revert to the District at the end of the lease period.
 - c. The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the component units.

Scope of Public Service:

The component units is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State. The corporation was formed for the sole purpose of providing financial assistance to the District for the financing of construction and acquisition of major capital facilities and modernization of existing school sites. The District will lease certain school facilities from the corporations under a lease-purchase agreement.

Financial Presentation:

For financial presentation purposes, the component units' financial activity will be blended, or combined, with the financial data of the District. The financial statements will present the component units' financial activity within the Capital Projects Fund. Certificates of Participation and Bonded Debt issued by the component units will be included in the long-term liabilities on the Statement of Net Assets.

C. 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 non-fiduciary activities of the District. Internal Service Fund activity is eliminated to avoid doubling revenues and expenses.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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.

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 meet 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.

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the proprietary fund's Statement of Fund Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets for proprietary funds present increases (i.e., revenues) and decreases (i.e., expenditures) in net total assets. The statement of cash flows provides information about how the district finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from non operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other fund for self insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and report 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.

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 and 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.

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

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 the 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.

E. Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, 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. 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 three major, non-major, proprietary and fiduciary funds, as follows:

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting (continued)

Major Governmental Funds:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resource except those required to be accounted for in another fund.

The *Special Reserve Fund for Capital Outlay Projects Fund* provides for the accumulation of general fund moneys for capital outlay purposes.

The *Capital Project Fund for Blended Component Units* is used for blended component units. It is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities considered blended component units of the LEA.

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 four non-major special revenue funds:

1. The Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.
2. The Child Development Fund is used to account for resources committed to child development programs mandated by the district.
3. The Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's food service operations.
4. The Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.

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 one debt service fund:

1. The Debt Service Fund is used for the accumulation of resources and the repayment of principal and interest on long-term debt.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting (continued)

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

1. The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.
2. The State School Building Lease-Purchase Fund is used to account for State apportionments for the construction, remodeling, or replacing of school buildings.
3. The County School Facilities Fund is used to receive apportionments from the 1998 State School Facilities Fund, the 2002 State School Facilities Fund, or the 2005 State School Facilities Fund for new school facility construction.

Proprietary Funds:

Internal Service Funds are used to account for services rendered on a cost-reimbursement basis within the District. The District maintains one internal service fund, the Self-Insurance Internal Service Fund, which is more fully discussed in Note 11.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The amounts reported for student body funds represent the combined totals of all schools within the District.

Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans. The District maintains one other postemployment benefit plan trust fund, the Retiree Benefit Trust Fund.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District's governing board must adopt a 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 governing board during the year to give consideration to unanticipated income and expenditures. The original and the final revised budgets are presented for the General Fund 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.

G. Encumbrances

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

H. Assets, Liabilities, and Equity

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash held in the county treasury is recorded at cost, which approximates fair value, in accordance with GASB Statement No. 31.

2. Stores Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

ORANGE UNIFIED SCHOOL DISTRICT
 Notes to Financial Statements
 June 30, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

3. Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	25-50 years
Furniture and Equipment	15-20 years
Vehicles	8 years

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 cash received on specific projects and programs exceed qualified expenditures.

5. Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability on the government-wide statement of net assets as the benefits are earned. For governmental funds, unpaid compensated absences are recognized as a fund liability only upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are recorded as accounts payable in the fund from which the employees who have accumulated leave are paid.

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 because 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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

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. Bond premiums and discounts as well as issuance costs are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as prepaid expenditures and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources/uses.

7. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of the fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

8. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by donors, grantors, or laws or regulations of other governments.

I. 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 March 1, which is also the lien date. Property taxes on the secured

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Revenue Limit/Property Tax (continued)

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 (March 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 alternative method of distribution prescribe 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's 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.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2007 are classified in the accompanying financial statements as follows:

	Governmental funds	Proprietary funds	Fiduciary funds
Cash in county treasury	\$ 85,413,816	\$ 8,493,856	\$ 11,375,174
Cash on hand and in banks	237,485	100,000	1,704,420
Cash with fiscal agent	-	-	2,000,000
Cash in revolving fund	135,000	-	-
Collections awaiting deposit	693,571	-	-
Total deposits	<u>\$ 86,479,872</u>	<u>\$ 8,593,856</u>	<u>\$ 15,079,594</u>

Policies and Practices

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

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

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury and in Money Market Mutual Fund U.S. Treasury Fund obligations. The District maintains an investment with the Orange County Investment Pool with a fair value of approximately \$105,200,257, and an amortized book value of \$105,282,846. The average weighted maturity for this pool is 115 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the Orange County Investment Pool is rated AAA/MR1 by Moody's Investors Service.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2007, the District's bank balance of \$2,176,905 was not exposed to custodial credit risk because it was insured and collateralized with securities held by the pledging financial institution's trust department or agency.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2007 consist of the following:

	General Fund	Special Reserve for Capital Outlay Fund	Non-Major Governmental Funds	Self Insurance Fund	Totals	Retiree Benefits Trust Fund
Federal Government:						
Categorical aid programs	\$ 3,617,529	\$ -	\$ -	\$ -	\$ 3,617,529	\$ -
State Government:						
Revenue limit	4,764,580	-	-	-	4,764,580	-
Lottery	2,024,162	-	-	-	2,024,162	-
Categorical aid programs	3,334,608	-	268,070	-	3,602,678	-
Other	-	-	223,724	-	223,724	-
Local:						
Interest	215,377	11,458	67,778	35,936	330,549	48,748
Miscellaneous	3,995,283	11,352,784	-	-	15,348,067	-
Total	\$ 17,951,539	\$ 11,364,242	\$ 559,572	\$ 35,936	\$ 29,911,290	\$ 48,748

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 4 - INTERFUND TRANSACTIONS

Interfund activity is reported as 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 are 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 or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

A. Due From/Due To Other Funds

Individual interfund receivable and payable balances as of June 30, 2007 are as follows:

	Due To Other Funds				Total
	General Fund	Special Reserve for Capital Outlay Fund	Non-Major Governmental Funds	Self Insurance Fund	
General Fund	\$ -	\$ 134	\$ 432,101	\$ 463	\$ 432,698
Special Reserve for Capital Outlay Fund	20,935	-	-	-	20,935
Self Insurance Fund	59,169	35	9,954	-	69,158
Retiree benefits fund	120,280	24	7,027	135	127,466
Other Governmental Funds	1,204,808	-	-	-	1,204,808
	<u>\$ 1,405,192</u>	<u>\$ 193</u>	<u>\$ 449,082</u>	<u>\$ 598</u>	<u>\$ 1,855,065</u>
Due from the Adult Education fund to the General fund for payroll taxes and indirect costs					\$ 470
Due from the Adult Education fund to the Self Insurance fund for workers compensation					4
Due from the Adult Education fund to the Retiree benefits fund for retirement benefits					3
Due from the Child Development fund to the General fund for indirect cost, transportation, printing, postage, and employee benefits					167,574
Due from the Child Development fund to the Self Insurance fund for workers compensation					4,473
Due from the Child Development fund to the Retiree benefits fund for retirement benefits					3,147
Due from the Cafeteria fund to the General Fund for indirect cost, maintenance, printing, postage, and employee benefits					262,131
Due from the Cafeteria fund to the Self Insurance fund for workers compensation					4,873
Due from the Cafeteria fund to the Retiree benefits fund for retirement benefits					3,450
Due from the Capital Facilities fund to the General fund for printing, postage, maintenance expenditures and employee benefits					1,926
Due from the Capital Facilities fund to the Self Insurance fund for workers compensation					604
Due from the Capital Facilities fund to the Retiree benefits fund for retirement benefits					427
Due from the Special Reserve fund for Capital Outlay to the General fund for printing, postage, and employee benefits					134
Due from the Special Reserve fund for Capital Outlay to the Self Insurance fund for workers compensation					35
Due from the Special Reserve fund for Capital Outlay to the Retiree benefits fund for retirement benefits					24
Due from the Self Insurance fund to the General fund for employee benefits					463
Due from the Self Insurance fund to the Retiree benefits fund for retirement benefits					135
Due from the General fund to the Child Development fund for employee benefits and bank interest					19,913
Due from the General fund to the Deferred Maintenance for deferred maintenance related expenses					1,184,895
Due from the General fund to the Special Reserve fund for Capital Outlay for Williams Case Application reimbursements					20,935
Due from the General fund to the Self Insurance fund for bank interest and workers compensation					59,169
Due from the General fund to Retiree fund for retiree cost					120,280
					<u>\$ 1,855,065</u>

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 4 - INTERFUND TRANSACTIONS (continued)

B. Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the 2006-07 fiscal year are as follows:

	<u>Transfers to Other Funds</u>			Total
	General Fund	Special Reserve for Capital Outlay Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 29,676	\$ -	\$ 29,676
Retiree Benefits Trust Fund	79,125	-	-	79,125
Special Reserve for Capital Outlay Fund	20,935	-	-	20,935
Other Governmental Funds	1,184,895	-	765,161	1,950,056
	<u>\$ 1,284,955</u>	<u>\$ 29,676</u>	<u>\$ 765,161</u>	<u>\$ 2,079,792</u>

General Fund transfer to Special Reserve for Capital Outlay Fund for Williams Case Reimbursement	\$ 20,935
General Fund transfer to Deferred Maintenance Fund for DMP and OPSC	1,184,895
General Fund transfer to Retiree benefits fund for retiree benefits	79,125
Special Reserve for Capital Outlay Fund transfer to General Fund for Anaheim Hills Project	29,676
County Schools Facilities Fund transfer to Deferred Maintenance Fund for El Modena Gym	765,161
	<u>\$ 2,079,792</u>

NOTE 5 - FUND BALANCES

The following amounts were designated by the Board of Education as follows:

	<u>General Fund</u>
Economic Uncertainties	\$ 7,284,525
El Rancho	684,029
Non-Resident Tuition	56,127
Schoolsite API Grant Awards	14,855
Schoolsite Carryovers	61,490
Schoolsite/Department Donations	600,540
Oral Health	18,575
Advanced Placement	8,992
	<u>\$ 8,729,133</u>

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2007 is shown below:

	Beginning Balance July 1, 2006	Additions	Deletions	Ending Balance June 30, 2007
Land	\$ 19,687,697	\$ -	\$ -	\$ 19,687,697
Site improvements	13,073,074	-	-	13,073,074
Buildings and improvements	81,277,253	1,189,616	-	82,466,869
Furniture and equipment	13,703,156	349,131	25,693	14,026,594
Work in progress	2,319,258	21,447,868	1,189,616	22,577,510
Total at historical cost	130,060,438	22,986,615	1,215,309	151,831,744
Less accumulated depreciation:				
Site improvements	9,088,120	632,628	-	9,720,748
Buildings	45,384,668	1,678,424	-	47,063,092
Furniture and equipment	10,340,982	606,322	24,234	10,923,070
Total accumulated depreciation	64,813,770	2,917,374	24,234	67,706,910
Governmental activities capital assets, net	\$ 65,246,668	\$ 20,069,241	\$ 1,239,543	\$ 84,124,834

NOTE 7 - TAX REVENUE ANTICIPATION NOTES

The District issued \$10,000,000 of Tax Revenue Anticipation Notes dated July 1, 2006 with a yield of 4.5% through the South Coast Local Educational Agencies Pooled Tax and Revenue Anticipation Note Program, sponsored by the California School Boards Association Finance Corporation. The notes matured on June 30, 2007 and yielded 3% interest. The notes were sold by the District to supplement its cash flow.

Repayment requirements were that certain amounts be deposited in a special fund. The monies were required to remain on deposit until the maturity date of the note, at which time they were applied to pay the principal and interest on the notes. Because the set-aside requirements were met, the liability for the notes is considered defeased and is not reflected in these financial statements at June 30, 2007.

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 8 – GENERAL LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2007 is shown below.

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007	Amounts Due Within One Year
Certificates of participation	\$ 51,960,000	\$ -	\$ 480,000	\$ 51,480,000	\$ 610,000
Compensated absences	2,949,960	-	375,313	2,574,647	-
Capital leases	651,845	5,648,566	344,972	5,955,439	336,555
Special tax revenue bonds	18,725,000	5,920,000	1,105,000	23,540,000	1,165,000
Child development portables	74,172	-	12,362	61,810	12,362
Totals	<u>\$ 74,360,977</u>	<u>\$ 11,568,566</u>	<u>\$ 2,317,647</u>	<u>\$ 83,611,896</u>	<u>\$ 2,123,917</u>

A. Certificates of Participation

The school financing agreement, dated May 1, 2003, is between the Orange Unified School District as the "lessee" and the Orange Schools Financing Corporation as the "lessor" or "corporation". The Corporation is a legally separate entity, which was formed for the sole purpose of acquiring equipment and capital outlay and then leasing such items to the district.

The Corporation's funds for acquiring these items were generated by the issuance of \$53,000,000 of Certificates of Participation (COPs). COPs are long-term debt instruments, which are tax exempt and therefore issued at interest rates below current market levels for taxable investments.

Lease Payments – Lease payments are required to be made by the District under the lease agreement each June 1 through June 1, 2029. Lease payments will be funded in part from the proceeds of the Certificates. Interest rates range from 2% to 4.5% for the length of the issuance.

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 8 – GENERAL LONG-TERM DEBT, continued

A. Certificates of Participation (continued)

The annual requirements to amortize all certificates of participation, outstanding as of June 30, 2007, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007-2008	\$ 610,000	\$ 2,324,719	\$ 2,934,719
2008-2009	370,000	2,309,469	2,679,469
2009-2010	505,000	2,299,293	2,804,293
2010-2011	645,000	2,282,881	2,927,881
2011-2012	795,000	2,260,306	3,055,306
2012-2017	6,580,000	10,723,150	17,303,150
2017-2022	12,050,000	8,866,925	20,916,925
2022-2027	19,500,000	5,413,570	24,913,570
2027-2029	10,425,000	752,638	11,177,638
	<u>\$ 51,480,000</u>	<u>\$ 37,232,951</u>	<u>\$ 88,712,951</u>

B. Special Tax Revenue Bonds

1996 Issue

On August 8, 1996, the Orange Unified School District Public Financing Authority issued Series A of the Community Facilities District #89-1 Special Tax Revenue Bonds in the amount of \$4,250,000. The issue consisted of serial bonds with stated interest rates ranging from 4.6% to 5.6% and fully maturing on September 1, 2024. The bonds were issued to fund the construction of District facilities. At June 30, 2007, the principal balance outstanding on the bonds was \$2,360,000.

2000 Issue

On March 22, 2000, the Orange Unified School District Public Financing Authority issued \$13,720,000 of Series A of the Community Facilities Districts #88-1 and #89-2 Bonds. The issue consists of serial bonds with stated interest rates ranging from 4.75% to 5.3% and maturing September 1, 2014. The bonds were issued to fund the construction of District facilities. At June 30, 2007 the principal balance outstanding on the bonds was \$8,720,000.

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 8 – GENERAL LONG-TERM DEBT, continued

B. Special Tax Revenue Bonds (continued)

2006 Issue

On January 6, 2006, the Orange Unified School District Public Financing Authority issued \$6,540,000 of the Community Facilities District No. 2006-1 Bonds. The issue consists of: a) serial bonds with a stated interest rate ranging from 3.8% to 5.2% and maturing on September 1, 2021, b) term bond of \$850,000 with a stated interest rate of 5.25% and maturing on September 1, 2025, and c) term bond of \$4,570,000 with a stated interest rate of 5.375% and maturing on September 1, 2036. At June 30, 2007, the principal balance outstanding on the bonds was \$6,540,000.

2007 Issue

On March 9, 2007, the Orange Unified School District Financing Authority issued \$5,920,000 of the Community Facilities District No. 2007-1 Bonds. The issue consists of a) serial bonds with a state interest rate ranging from 3.8% to 4.625% and maturing on September 1, 2022, b) term bond of \$1,280,000 with a stated interest rate of 4.7% and maturing on September 1, 2028, and c) term bond of \$3,505,000 with a stated interest rate of 5% and maturing on September 1, 2037. At June 30, 2007, the principal balance outstanding on the bonds was \$5,920,000.

The annual requirements to amortize all general obligation bonds payable, outstanding as of June 30, 2007, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007-2008	\$ 1,165,000	\$ 1,011,590	\$ 2,176,590
2008-2009	1,230,000	1,113,510	2,343,510
2009-2010	1,325,000	1,051,075	2,376,075
2010-2011	1,400,000	990,525	2,390,525
2011-2012	1,485,000	933,970	2,418,970
2012-2017	5,325,000	3,583,783	8,908,783
2017-2022	1,250,000	2,860,931	4,110,931
2022-2027	2,050,000	2,478,224	4,528,224
2027-2032	3,155,000	1,853,995	5,008,995
2032-2037	4,645,000	888,857	5,533,857
2037-2038	510,000	25,500	535,500
	<u>\$ 23,540,000</u>	<u>\$ 16,791,960</u>	<u>\$ 40,331,960</u>

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 8 – GENERAL LONG-TERM DEBT (continued)

C. Child Development Portables

The District financed the purchase of Child Development Portables through the California Department of Education’s Child Facilities Revolving Fund. The agreement with CDE includes a 0% interest rate for the portable classrooms. During the term of the repayment, the title to the facilities shall be in the name of the State of California. Title shall pass to the District after repayment of all funds. The District bears all the responsibility of maintaining the facilities and keeping the facilities free and clear of any levies, liens and encumbrances.

The loans mature in 2012 and the payments are as follows:

<u>Fiscal Year</u>	<u>Payment</u>
2007-2008	12,362
2008-2009	12,362
2009-2010	12,362
2010-2011	12,362
2011-2012	12,362
Total	<u>\$ 61,810</u>

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 8 – GENERAL LONG-TERM DEBT (continued)

D. Capital Leases

The District leases school buses, vans, computers and energy retrofit equipment under agreements that provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Lease Payments</u>
2007-2008	\$ 575,630
2008-2009	643,152
2009-2010	425,020
2010-2011	439,200
2011-2012	312,664
2012-2017	1,814,050
2017-2022	2,315,237
2022-2027	<u>2,954,895</u>
Total	9,479,848
Less Amount Representing Interest	<u>(3,524,409)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 5,955,439</u>

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

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 9 – JOINT VENTURES

The Orange School District participates in two joint venture under a joint powers agreement (JPA): (1) The Southern California ReLiEF for property and liability; and , (2) The Alliance of Schools for Cooperative Insurance Programs (ASCIP). The relationship between the Orange School District and the JPAs is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPAs arrange for and provide workers' compensation, property and liability and health insurance for its member school districts. The JPAs are governed by a board consisting of a representative from each member district. The governing board controls the operations of the JPAs independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPAs.

Condensed audited financial information for the year ended June 30, 2007 is as follows:

	ASCIP Audited June 30, 2006	Southern California ReLiEF June 30, 2006
Assets	\$ 132,904,091	\$ 39,738,083
Liabilities	\$ 94,815,362	\$ 25,950,195
Net Assets	\$ 38,088,729	\$ 13,787,888
Revenues	\$ 60,253,379	\$ 25,296,148
Expenses	55,637,905	22,005,020
Operating Income	4,615,474	3,291,128
Non-Operating Income	3,392,678	1,961,011
Change in Net Assets	\$ 8,008,152	\$ 5,252,139

NOTE 10 - COMMITMENTS AND CONTINGENCIES

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 reimbursement will not be material.

Construction Commitments

As of June 30, 2007, the District had commitments with respect to unfinished capital projects of approximately \$5,149,893 million to be paid.

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

NOTE 11 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts, damage to District assets, errors and omissions, employee injuries and natural disasters. The District participates in a public entity risk pool, as described in Note 9, for claims in excess of insured amounts for workers' compensation and liability protection. The District purchases commercial insurance coverage for other types of risk. There have been no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 12 - EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the Public Employees' Retirement System (PERS).

Plan Description and Provisions

Public Employees' Retirement System (PERS)

Plan Description

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

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 12 - EMPLOYEE RETIREMENT PLANS (continued)

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2006-07 was 9.124%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2007, 2006, and 2005 were \$3,927,684, \$ 4,871,207, and \$4,310,186, , respectively, which represents 100% of the required contributions for each fiscal year.

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2006-07 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ending June 30, 2007, 2006, and 2005 were \$9,490,895, \$8,682,211, and \$8,972,649, and, respectively, and equal 100% of the required contributions for each year.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to STRS for K-12 education. These payments consist of state general fund contributions of \$5,196,409 to STRS (4.517% of salaries subject to STRS).

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS

Orange Unified School District administers a defined benefit postemployment plan, where plan assets may be used only for the payment of benefits to the members of that plan. The plan assets are accounted for in the Retiree Benefit Fund. The District implemented Governmental Accounting Standards Board Statement #43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, in 2006-07.

A. Summary of Significant Accounting Policies

Basis of Accounting: The Retiree Benefit Fund's financial statements are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments: Investments are reported at fair value. The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio).

B. Plan Descriptions and Contribution Information

Membership of the plan consisted of the following at January 1, 2006, the date of the latest actuarial valuation:

	Trust Fund
	Retiree Benefits Fund
Retirees and beneficiaries receiving benefits	1,037
Active plan members	1,769
Total	<u>2,806</u>
Number of participating employers	1

Plan Description: The District's Retiree Benefit Fund is a single-employer defined benefit postemployment healthcare plan that covers eligible retired employees of the District including all departments. The Fund provides health insurance benefits to eligible retirees and their spouses.

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (continued)

B. Plan Descriptions and Contribution Information (continued)

Contributions: Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts annually toward the cost of health insurance premiums. Plan members are required to contribute \$150 annually for Two Party coverage and \$300 for Family coverage, if dependent coverage is elected. The District is required to contribute the balance of the current premium cost, which amounted to \$150.2 million in 2006, the year of the actuarial report.

C. Funded Status and Funding Progress – OPEB Plans

The funded status of the plan as of the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio
1/1/2006	\$ 13,550,427	\$ 138,309,571	\$ 124,759,144	11%

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. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by the employer in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designated 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.

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (continued)

C. Funded Status and Funding Progress – OPEB Plans (continued)

Additional information as of the latest actuarial valuation follows:

	Trust Fund
	<hr/>
	Retiree Benefits Fund
	<hr/>
Valuation Date	1/1/2006
Actuarial Cost Method	Projected unit credit
Amortization Method	Level-dollar basis
Remaining amortization period	29 years
Asset Valuation	Market value basis
Actuarial assumptions:	
Investment rate of return	5%
Healthcare cost trend rate	5%

Required Supplementary Information

ORANGE UNIFIED SCHOOL DISTRICT
 Budgetary Comparison Schedule -- General Fund
 Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
Revenue Limit Sources	\$ 160,725,576	\$ 160,647,200	\$ 160,647,200	\$ -
Federal	13,237,942	15,013,223	14,376,572	(636,651)
Other State	44,811,539	57,656,982	56,671,217	(985,765)
Other Local	11,118,193	14,399,378	13,926,177	(473,201)
Total Revenues	229,893,250	247,716,783	245,621,166	(2,095,617)
Expenditures				
Certificated Salaries	110,679,505	116,975,165	114,772,973	2,202,192
Classified Salaries	35,027,689	37,100,596	36,664,234	436,362
Employee Benefits	43,453,207	47,825,575	47,607,090	218,485
Books and Supplies	10,565,883	17,497,920	11,515,438	5,982,482
Services and Other Operating Expenditures	20,598,384	24,299,657	20,820,713	3,478,944
Capital Outlay	779,010	1,139,154	812,135	327,019
Other Outgo	10,747,290	9,905,249	9,746,910	158,339
Direct Support/Indirect Costs	(141,947)	(408,360)	(406,963)	1,397
Total Expenditures	231,709,021	254,334,956	241,532,530	12,805,220
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,815,771)	(6,618,173)	4,088,636	10,709,603
Other Financing Sources and Uses				
Interfund transfers out	(1,256,000)	(1,284,955)	(1,284,955)	-
Interfund transfers in	-	29,676	29,676	-
Total Other Financing Sources and Uses	(1,256,000)	(1,255,279)	(1,255,279)	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(3,071,771)	(7,873,452)	2,833,357	10,706,809
Fund Balances, July 1, 2006	21,707,629	21,707,629	21,707,629	-
Fund Balances, June 30, 2007	\$ 18,635,858	\$ 13,834,177	\$ 24,540,986	\$ 10,706,809

ORANGE UNIFIED SCHOOL DISTRICT
 Schedules of Funding Progress and Employer Contributions
 Year Ended June 30, 2007

Schedule of Funding Progress

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2006	\$ 13,550,427	\$ 138,309,571	\$ 124,759,144	11%	\$ 36,179,801	345%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2007	\$ 9,752,784	100%

Supplementary Information Section

ORANGE UNIFIED SCHOOL DISTRICT
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2007

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	State School Building Lease-Purchase Fund	County School Facilities Fund	Debt Service Fund	Total Non-Major Governmental Funds
Cash	\$ 73,862	\$ 730,863	\$ 941,944	\$ 3,138,363	\$ 5,003,005	\$ -	\$ 1,624,616	\$ 5,129,668	\$ 16,642,321
Accounts receivable	328	260,349	236,925	13,785	21,816	-	7,076	19,293	559,572
Inventories	-	-	141,209	-	-	-	-	-	141,209
Due from other funds	-	19,913	-	1,184,895	-	-	-	-	1,204,808
Total Assets	\$ 74,190	\$ 1,011,125	\$ 1,320,078	\$ 4,337,043	\$ 5,024,821	\$ -	\$ 1,631,692	\$ 5,148,961	\$ 18,547,910
LIABILITIES AND FUND BALANCES									
LIABILITIES									
Accounts payable and accrued liabilities	\$ 18,641	\$ 373,028	\$ 892,712	\$ 297,592	\$ 91,803	\$ -	\$ 137	\$ -	\$ 1,673,913
Due to other funds	478	175,194	270,453	-	2,957	-	-	-	449,482
Deferred revenue	3,542	-	-	-	-	-	-	-	3,542
Total Liabilities	22,661	548,222	1,163,165	297,592	94,760	-	137	-	2,126,537
Fund Balances									
Reserved for:									
Revolving cash	-	-	10,000	-	-	-	-	-	10,000
Inventories	-	-	141,209	-	-	-	-	-	141,209
Debt service	-	-	-	-	-	-	-	5,148,961	5,148,961
Unreserved:									
Capital projects funds	-	-	-	-	4,930,061	-	1,631,555	-	6,561,616
Special revenue funds	51,529	462,903	5,704	4,039,451	-	-	-	-	4,559,587
Total Fund Balances	51,529	462,903	156,913	4,039,451	4,930,061	-	1,631,555	5,148,961	16,421,573
Total Liabilities and Fund Balances	\$ 74,190	\$ 1,011,125	\$ 1,320,078	\$ 4,337,043	\$ 5,024,821	\$ -	\$ 1,631,692	\$ 5,148,961	\$ 18,547,910

ORANGE UNIFIED SCHOOL DISTRICT
Combining Statement of Revenues, Expenses, and Changes in Fund Balances – Non-Major Funds
For the Year Ended June 30, 2007

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	State School Building Lease-Purchase Fund	County School Facilities Fund	Debt Service Fund	Total Non-Major Governmental Funds
REVENUES									
General Revenues:									
Earnings on investments	\$ -	\$ -	\$ -	\$ -	\$ 242,892	\$ -	\$ 86,790	\$ 247,540	\$ 577,222
Miscellaneous	-	-	-	-	1,796,634	-	-	3,243,929	5,040,563
Program Revenues:									
Charges for services	-	4,389,467	3,172,233	-	-	-	-	-	7,561,700
Operating grants and contributions	16,918	1,006,216	4,609,973	1,277,351	-	-	-	-	6,919,858
Capital grants and contributions	-	-	-	-	-	-	768,716	-	768,716
Total revenues	16,918	5,395,683	7,782,206	1,277,351	2,039,526	-	855,506	3,491,469	30,859,859
EXPENDITURES									
Instructional Services:									
Instruction	6,687	4,101,517	-	-	-	-	-	-	4,108,204
Instructional library, media and technology	-	1,882	-	-	-	-	-	-	1,882
School site administration	3,233	908,631	-	-	-	-	-	-	911,864
Pupil Support Services:									
Food services	-	-	7,540,855	-	-	-	-	-	7,540,855
General Administration Services:									
Other general administration	467	151,497	255,000	-	34,959	-	-	-	441,923
Plant services	-	30,869	-	1,283,542	-	-	-	-	1,314,411
Facility acquisition and construction	-	34,324	-	1,489,675	1,374,403	-	351,742	-	3,250,144
Other outgo	-	12,562	-	-	262,848	-	-	2,433,410	2,708,820
Total Expenditures	10,387	5,241,082	7,795,855	2,775,217	1,672,210	-	351,742	2,433,410	20,277,903
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,531	154,601	(13,649)	(1,495,866)	367,316	-	503,764	1,058,059	580,756
OTHER FINANCING SOURCES (USES)									
Interfund transfers in	-	-	-	1,950,056	-	-	-	-	1,950,056
Interfund transfers out	-	-	-	-	-	-	(765,161)	-	(765,161)
Total Other Financing Sources and Uses	-	-	-	1,950,056	-	-	(765,161)	-	1,184,895
Net Change in Fund Balances	6,531	154,601	(13,649)	454,190	367,316	-	(261,397)	1,058,059	1,765,651
Fund Balances, July 1, 2006	44,998	308,302	170,562	3,585,261	4,562,745	-	1,892,952	4,090,902	14,855,772
Fund Balances, June 30, 2007	\$ 51,529	\$ 462,903	\$ 156,913	\$ 4,039,451	\$ 4,930,061	\$ -	\$ 1,631,555	\$ 5,148,961	\$ 16,431,423

ORANGE UNIFIED SCHOOL DISTRICT
Combining Balance Sheet – Blended Component Units
June 30, 2007

	Orange Schools Financing Authority	Canyon Rim CFD #89-1	Chapman Hills and Running Springs CFD #88-1 & #89-2	Tremont CFD #2005-1	Del Rio CFD #2007-1	Total Blended Component Units
ASSETS						
Cash	\$ 34,158,514	\$ 940,487	\$ 2,808,646	\$ 3,329,373	\$ 5,645,331	\$ 46,882,352
Total Assets	\$ 34,158,514	\$ 940,487	\$ 2,808,646	\$ 3,329,373	\$ 5,645,331	\$ 46,882,352
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 10,056,000	\$ -	\$ -	\$ 64,072	\$ 139,826	\$ 10,259,898
Total Liabilities	10,056,000	-	-	64,072	139,826	10,259,898
FUND BALANCES						
Unreserved:						
Capital projects funds	24,102,514	940,487	2,808,646	3,265,301	5,505,506	36,622,454
Total Fund Balances	\$ 34,158,514	\$ 940,487	\$ 2,808,646	\$ 3,329,373	\$ 5,645,332	\$ 46,882,352

ORANGE UNIFIED SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Blended
Component Units

For the Year Ended June 30, 2007

	Orange Schools Financing Authority	Canyon Rim CFD #89-1	Chapman Hills and Running Springs CFD #88-1 & #89-2	Tremont CFD #2005-1	Del Rio CFD #2007-1	Total Blended Component Units
REVENUES						
General Revenues:						
Taxes levied for other specific purposes	\$ -	\$ 381,663	\$ 1,427,642	\$ 401,703	\$ -	\$ 2,211,008
Earnings on investments	1,906,162	36,005	116,921	185,142	51,290	2,295,520
Total revenues	1,906,162	417,668	1,544,563	586,845	51,290	4,506,528
EXPENDITURES						
Principal	480,000	230,000	875,000	-	-	1,585,000
Interest	2,335,279	134,855	459,845	385,488	-	3,315,467
General Administration Services:						
Other general administration	-	15,676	19,286	18,983	1,134	55,079
Facility acquisition and construction	17,976,664	-	-	1,547,106	184,825	19,708,595
Other outgo	-	-	-	22,810	279,825	302,635
Total Expenditures	20,791,943	380,531	1,354,131	1,974,387	465,784	24,966,776
Excess (Deficiency) of Revenues Over (Under) Expenditures	(18,885,781)	37,137	190,432	(1,387,542)	(414,494)	(20,460,248)
OTHER FINANCING SOURCES						
Transfers in	2,810,583	-	-	-	-	2,810,583
Proceeds from the issuance of bonds	-	-	-	-	5,920,000	5,920,000
Total Other Financing Sources	2,810,583	-	-	-	5,920,000	8,730,583
Net Change in Fund Balances	(16,075,198)	37,137	190,432	(1,387,542)	5,505,506	(11,729,665)
Fund Balances, July 1, 2006	40,177,712	903,350	2,618,214	4,652,843	-	48,352,119
Fund Balances, June 30, 2007	\$ 24,102,514	\$ 940,487	\$ 2,808,646	\$ 3,265,301	\$ 5,505,506	\$ 36,622,454

ORANGE UNIFIED SCHOOL DISTRICT

Combining Statement of Assets and Liabilities – Student Body Funds – Summary

June 30, 2007

	High Schools	Middle Schools	Elementary Schools	Totals
ASSETS				
Cash on hand and in banks	\$ 1,224,284	\$ 259,215	\$ 220,968	\$ 1,704,467
Total Assets	<u>\$ 1,224,284</u>	<u>\$ 259,215</u>	<u>\$ 220,968</u>	<u>\$ 1,704,467</u>
LIABILITIES				
Due to student groups	\$ 1,224,284	\$ 259,215	\$ 220,968	\$ 1,704,467
Total Liabilities	<u>\$ 1,224,284</u>	<u>\$ 259,215</u>	<u>\$ 220,968</u>	<u>\$ 1,704,467</u>

ORANGE UNIFIED SCHOOL DISTRICT
Combining Statement of Assets and Liabilities -- Student Body Funds -- High Schools
June 30, 2007

	Canyon High School	El Modena High School	Orange High School	Richland High School	Villa Park High School	Career Education Center ROP	Totals
ASSETS							
Cash on hand and in banks	\$ 399,106	\$ 231,439	\$ 185,486	\$ 5,810	\$ 395,570	\$ 6,873	\$ 1,224,284
Total Assets	\$ 399,106	\$ 231,439	\$ 185,486	\$ 5,810	\$ 395,570	\$ 6,873	\$ 1,224,284
LIABILITIES							
Due to student groups	\$ 399,106	\$ 231,439	\$ 185,486	\$ 5,810	\$ 395,570	\$ 6,873	\$ 1,224,284
Total Liabilities	\$ 399,106	\$ 231,439	\$ 185,486	\$ 5,810	\$ 395,570	\$ 6,873	\$ 1,224,284

ORANGE UNIFIED SCHOOL DISTRICT
Combining Statement of Assets and Liabilities – Student Body Funds – Middle Schools
June 30, 2007

	Cerro Villa Middle School	El Rancho Middle School	Portola Middle School	Yorba Middle School	Totals
ASSETS					
Cash on hand and in banks	\$ 124,727	\$ 81,124	\$ 28,406	\$ 24,958	\$ 259,215
Total Assets	<u>\$ 124,727</u>	<u>\$ 81,124</u>	<u>\$ 28,406</u>	<u>\$ 24,958</u>	<u>\$ 259,215</u>
LIABILITIES					
Due to student groups	\$ 124,727	\$ 81,124	\$ 28,406	\$ 24,958	\$ 259,215
Total Liabilities	<u>\$ 124,727</u>	<u>\$ 81,124</u>	<u>\$ 28,406</u>	<u>\$ 24,958</u>	<u>\$ 259,215</u>

ORANGE UNIFIED SCHOOL DISTRICT
Combining Statement of Assets and Liabilities – Student Body Funds – Elementary Schools
June 30, 2007

	Anaheim Hills	Cambridge	Canyon Rim	Chapman Hills	Crescent	Fletcher Imperial	La Veta	Lampson	Linda Vista	McPherson
ASSETS										
Cash on hand and in banks	\$ 18,342	\$ 1,078	\$ 13,084	\$ 3,242	\$ 3,070	\$ 1,797	\$ 27,920	\$ 4,143	\$ 20,976	\$ 15,281
Total Assets	\$ 18,342	\$ 1,078	\$ 13,084	\$ 3,242	\$ 3,070	\$ 1,797	\$ 27,920	\$ 4,143	\$ 20,976	\$ 15,281
LIABILITIES										
Due to student groups	\$ 18,342	\$ 1,078	\$ 13,084	\$ 3,242	\$ 3,070	\$ 1,797	\$ 27,920	\$ 4,143	\$ 20,976	\$ 15,281
Total Liabilities	\$ 18,342	\$ 1,078	\$ 13,084	\$ 3,242	\$ 3,070	\$ 1,797	\$ 27,920	\$ 4,143	\$ 20,976	\$ 15,281
ASSETS										
Cash on hand and in banks	\$ 970	\$ 10,432	\$ 18,183	\$ 18,429	\$ 46,904	\$ 5,303	\$ 1,699	\$ 2,637	\$ 2,515	\$ 220,968
Total Assets	\$ 970	\$ 10,432	\$ 18,183	\$ 18,429	\$ 46,904	\$ 5,303	\$ 1,699	\$ 2,637	\$ 2,515	\$ 220,968
LIABILITIES										
Due to student groups	\$ 970	\$ 10,432	\$ 18,183	\$ 18,429	\$ 46,904	\$ 5,303	\$ 1,699	\$ 2,637	\$ 2,515	\$ 220,968
Total Liabilities	\$ 970	\$ 10,432	\$ 18,183	\$ 18,429	\$ 46,904	\$ 5,303	\$ 1,699	\$ 2,637	\$ 2,515	\$ 220,968

ORANGE UNIFIED SCHOOL DISTRICT
 Local Education Agency Organization Structure
 June 30, 2007

The Orange Unified School District was established in 1953 and is comprised of an area of approximately 108 square miles located in Orange County. There were no changes in the boundaries of the District during the current year. The District is operating 30 elementary schools, 5 middle schools, 4 high schools, one continuation school, one special education facility, and a career education center.

GOVERNING BOARD

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Kimberlee Nichols	President	2010
Wes Poutsma	Vice President	2008
John H. Ortega	Clerk	2008
Rick Ledesma	Member	2010
Kathryn A. Moffat	Member	2010
Steve Rocco	Member	2008
Melissa J. Smith	Member	2010

DISTRICT ADMINISTRATORS

Thomas A. Godley, Ed.D.,
Superintendent

John M. Archibald,
Assistant Superintendent, Business Services

Ed Kissee,
Assistant Superintendent, Human Resources

J. Kenneth Jones, Ed.D.,
Assistant Superintendent, Educational Services

ORANGE UNIFIED SCHOOL DISTRICT
 Schedule of Average Daily Attendance
 Year Ended June 30, 2007

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
Kindergarten	1,894	1,900
Grades 1 through 6, regular classes	12,675	12,667
Grades 7 and 8, regular classes	2,405	2,398
Home and Hospital	20	22
Special Education	580	585
Total Elementary	<u>17,574</u>	<u>17,572</u>
Secondary:		
Grades 9 Through 12, regular classes	8,498	8,468
Continuation Education	272	270
Home and Hospital	39	41
Special Education	413	413
Total Secondary	<u>9,222</u>	<u>9,192</u>
Classes for Adults:		
Not Concurrently Enrolled	<u>6</u>	<u>5</u>
Total Adult Classes	<u>6</u>	<u>5</u>
Charter Schools:	<u>1,083</u>	<u>1,082</u>
Total Average Daily Attendance	<u>27,885</u>	<u>27,851</u>
	<u>Hours of Attendance</u>	
<u>Supplemental Instruction Hours</u>		
Elementary	195,308	
High School	293,486	
Charter Schools	18,603	

The accompanying note is an integral part of this schedule.

ORANGE UNIFIED SCHOOL DISTRICT
 Schedule of Instructional Time
 June 30, 2007

Grade Level	1982-83	1986-87	2006-2007	Number of Days		Status
	Actual Minutes	Minutes Requirement		Traditional Calendar	Multi-track Year Round	
Grade 1	43,324	50,400	50,450	180	175	Complied
Grade 2	43,324	50,400	50,450	180	175	Complied
Grade 3	43,324	50,400	50,450	180	175	Complied
Grade 4	49,774	54,000	54,100	180	175	Complied
Grade 5	49,774	54,000	54,100	180	175	Complied
Grade 6	49,774	54,000	54,100	180	175	Complied
Grade 7	62,589	54,000	63,363	180	175	Complied
Grade 8	62,589	54,000	63,363	180	175	Complied
Grade 9	62,300	64,800	63,363	180	175	Complied
Grade 10	62,300	64,800	64,830	180	175	Complied
Grade 11	62,300	64,800	64,830	180	175	Complied
Grade 12	62,300	64,800	64,830	180	175	Complied

The accompanying note is an integral part of this schedule.

ORANGE UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
Year Ended June 30, 2007

General Fund	(Budget) 2008***	2007	2006	2005
Revenues and other financing sources	\$ 239,182,555	\$ 251,299,408	\$ 223,421,611	\$ 228,935,592
Expenditures	247,405,941	247,181,096	219,283,199	223,337,812
Other uses and transfers out	1,215,600	1,284,955	2,149,454	1,369,032
Total outgo	248,621,541	248,466,051	221,432,653	224,706,844
Change in fund balance (deficit)	(9,438,986)	2,833,357	1,988,958	4,228,748
Ending fund balance	\$ 15,102,000	\$ 24,540,986	\$ 21,707,629	\$ 19,718,671
Available reserves*	\$ 14,070,873	\$ 16,503,299	\$ 16,758,245	\$ 13,539,392
Available reserves as a percentage of total outgo	5.7%	6.6%	7.6%	6.0%
Total long-term debt	\$ 81,487,979	\$ 83,611,896	\$ 74,360,977	\$ 69,146,472
Average daily attendance at P-2**	26,658	26,796	27,471	27,937

The General Fund balance has increased by \$4,822,315 over the past two years. The fiscal year 2007-08 adopted budget projects a decrease of \$9,438,986. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo). Long-term debt has increased \$14,465,424 over the past two years.

* Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty in the General Fund or Special Reserve Fund (Other than Capital Outlay).

** Excludes Adult Education and Charter School ADA.

*** Adopted September 2007

The accompanying note is an integral part of this schedule.

ORANGE UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
June 30, 2007

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Federal Programs:			
U.S. Department of Agriculture:			
Passed through California Dept. of Education (CDE):			
National School Lunch and Breakfast	10.555	13523	\$ 4,075,675
Total U.S. Department of Agriculture			4,075,675
U.S. Department of Education:			
Passed through California Dept. of Education (CDE):			
No Child Left Behind Act (NCLB)			
Title I - Grants to Local Educational Agencies, Part A	84.010	13797	4,085,268
Title I - Reading First, Part B	84.357A	14328	983,836
Title II - Vocational and Applied Tech	84.243	13929	9,000
Title II - Enhancing Education Through Technology	84.318	14334	44,976
Title II - Enhancing Education Through Technology, Competitive	84.318	14368	819,510
Title II - Part A Impr Teacher Quality	84.367	14341	1,438,106
Title III - Immigrant Ed	84.365	14346	102,665
Title III - Limited English Proficiency	84.365	10084	616,021
Title IV - Safe and Drug Free Schools	84.186	14347	126,185
Title V - Innovative Education	84.298A	13340	28,304
Indian Education	84.060A	10011	64,319
Vocational Programs	84.048	13924	206,693
Cal STAT	84.372	n/a	3,200
Early Intervention	84.181	23761	86,305
Federal Preschool	84.173	13430	140,394
Preschool Staff Dev, Part B	84.173	13431	5,273
Basic Local Assistance Entitlement, Part B	84.027	13379	4,978,314
Preschool Local Entitlements, Part B	84.027	13682	244,595
Total U.S. Department of Education			13,982,964
U.S. Department of Health & Human Services:			
Passed through California Dept of Health Services:			
Medi-Cal Billing Options	93.778	10013	369,974
Passed through California Dept of Education:			
Child Development: Infant Toddler	93.575	13942	(240)
Child Development: School Age Resource Contract	93.575	13941	(779)
Total U.S. Department of Health & Human Services			368,955
Total Expenditures of Federal Awards			\$ 18,427,594

The accompanying note is an integral part of this schedule.

ORANGE UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools
Fiscal Year Ended June 30, 2007

<u>Charter School</u>	<u>Inclusion in Financial Statements</u>
Santiago Charter School	Not included
El Rancho Charter School	Included

The accompanying note is an integral part of this schedule.

ORANGE UNIFIED SCHOOL DISTRICT

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2007

	Schedule of Long-term Debt
June 30, 2007, annual financial and budget report (SACS) fund balances	\$ 83,636,621
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Overstatement of capital lease	(24,725)
Net adjustments and reclassifications	(24,725)
June 30, 2007, audited financial statement fund balances	\$ 83,611,896

The accompanying note is an integral part of this schedule.

ORANGE UNIFIED SCHOOL DISTRICT

Schedule of Excess Sick Leave

June 30, 2007

Orange Unified School District provides more than 12 sick leave days in a school year to the following groups of employees who are CalSTRS members:

1. Superintendent
2. Associate Superintendent
3. Principals and other management
4. Employees covered by bargaining agreement dated July 1, 2005 through July 1, 2008 between the District and the Orange Unified Education Association.

ORANGE UNIFIED SCHOOL DISTRICT
Note to the Supplementary Information
June 30, 2007

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Education Code section 46201.

Schedule of Financial Trends and Analysis

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

Schedule of Expenditures of Federal Awards

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

Subrecipients

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

Schedule of Charter Schools

This schedule lists all charter schools chartered by the school district and displays information for each charter school on whether or not the charter school is included in the school district audit.

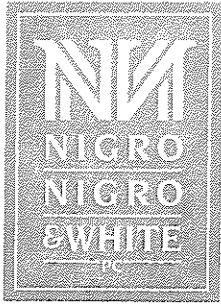
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Excess Leave

This schedule provides information on whether the District grants excess sick leave, as that term is defined in subdivision (c) of Education Code Section 22170.5, to employees who are members of the California State Teachers Retirement System.

Other Independent Auditors' Reports



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Orange Unified School District
Orange, California

**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**

We have audited the financial statements of Orange Unified School District as of and for the year ended June 30, 2007, and have issued our report thereon dated November 5, 2007. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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Elizabeth Nigro, CPA
Christy White, CPA

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- Community Associations Institute

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Internal Control over Financial Reporting

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

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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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 presented or detected by the entity'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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

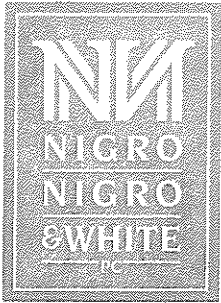
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Orange Unified 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*.

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



San Diego, California
November 5, 2007



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Board of Trustees
Orange Unified School District
Orange, California

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

Compliance

We have audited the compliance of Orange Unified 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, 2007. Orange Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Orange Unified School District's management. Our responsibility is to express an opinion on Orange Unified 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; 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 Orange Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Orange Unified School District's compliance with those requirements.

In our opinion, Orange Unified 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, 2007.

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Internal Control Over Compliance

The management of Orange Unified 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 Orange Unified 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 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.

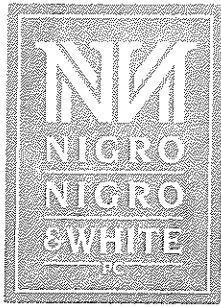
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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 Board, management, the California Department of Education, the State Controller's Office, 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.

Riggo Riggo & White, PC

San Diego, California
November 5, 2007



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Board of Trustees
Orange Unified School District
Orange, California

AUDITORS' REPORT ON STATE COMPLIANCE

We have audited the basic financial statements of the Orange Unified School District, as of and for the year ended June 30, 2007, and have issued our report thereon dated November 5, 2007. Our audit was made in accordance with auditing standards generally accepted; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's *Standards and Procedures for Audits of California K-12 Local Educational Agencies, 2006-2007*, 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.

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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 laws and regulations applicable to the following items:

Description	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No (see below)
Continuation Education	10	Yes
Adult Education	9	No (see below)
Regional Occupational Centers and Programs	6	Not applicable
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not applicable
Community Day Schools	9	Not applicable
Morgan-Hart Class Size Reduction Program	7	Yes

Description	Procedures in Audit Guide	Procedures Performed
Instructional Materials:		
General Requirements	12	Yes
K-8 only	1	Yes
Grades 9-12 only	1	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Early Retirement Incentive Program	4	Not applicable
Gann Limit Calculation	1	Yes
School Construction Funds:		
School District Bonds	3	Not applicable
State School Facilities Funds	1	Yes
Alternative Pension Plans	2	Not applicable
Excess Sick Leave	3	Yes
Notice of Right to Elect CalSTRS Membership	1	Yes
Proposition 20 Lottery Funds	2	Yes
State Lottery Funds	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Not applicable
School Accountability Report Card	3	Yes
Class Size Reduction Program:		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Yes
Districts with only one school serving K-3	4	Not applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	Yes
Mode of Instruction	1	Yes
Nonclassroom-Based Instruction/Independent Study	15	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	3	Not applicable
Annual Instructional Minutes – Classroom Based	3	Yes

We did not perform testing for independent study and adult education because the ADA was under the level that requires testing.

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

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

Rigo Rigo & White, PC

San Diego, California
November 5, 2007

Findings and Questioned Costs Section

ORANGE UNIFIED SCHOOL DISTRICT
 Schedule of Audit Findings and Questioned Costs
 Year Ended June 30, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>No</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>No</u>
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I - Grants to LEA's Part A
84.318	Title II - EETT, Competitive
93.778	Medi-Cal Billing Options

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 552,828</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

State Awards

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>No</u>
Type of auditor's report issued on compliance for state programs:	<u>Unqualified</u>

ORANGE UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2007

Section II – Financial Statement Findings

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CAISTRS
50000	Federal Compliance
60000	Miscellaneous
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement audit findings during 2006-07.

ORANGE UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2007

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a) (e.g., reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs).

There were no audit findings and questioned costs related to federal awards during 2006-07.

ORANGE UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
June 30, 2007

Section IV – State Award Findings and Questioned Costs

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no audit findings and questioned costs related to state awards during 2006-07.

ORANGE UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2007

There were no prior audit findings reported in 2005-06.