

PRELIMINARY OFFICIAL STATEMENT

Dated July 25, 2012

NEW ISSUE
DTC BOOK-ENTRY ONLY

S&P Rating: "AA-"
See "RATING" herein

In the opinion of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, Bond Counsel, based upon an analysis of existing statutes, regulations, rulings, and court decisions and assuming, among other things, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (defined herein) is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "Legal Matters -- Tax Matters."



\$15,000,000^{*} EL DORADO UNION HIGH SCHOOL DISTRICT (EL DORADO COUNTY, CALIFORNIA) GENERAL OBLIGATION BONDS ELECTION OF 2008, SERIES 2012

DATED: Date of Delivery

DUE: August 1, as shown below

The El Dorado Union High School District (El Dorado County, California) General Obligation Bonds, Election of 2008, Series 2012 (the "Bonds") in the aggregate principal amount of \$15,000,000* are being issued in order to raise money for authorized school purposes. See "THE BONDS—General Obligation Bond Election of 2008" herein.

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

The Bonds are being issued as fully registered bonds, without coupons, and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry-only form and only in denominations of \$5,000 principal amounts for the Current Interest Bonds and Maturity Value for the Capital Appreciation Bonds, or any integral multiple thereof. So long as Cede & Co. is the registered owner of the Bonds, payments of principal and interest, or accreted interest, on the Bonds will be paid by Wells Fargo Bank, National Association, California (the "Paying Agent") to Cede & Co., as nominee for DTC, which is obligated to remit such amounts to the DTC Participants for subsequent disbursement to the Owners of the Bonds. See "THE BONDS—DTC Book-Entry Only" herein.

Interest on the Current Interest Bonds is first payable on August 1, 2013, and semiannually thereafter on February 1 and August 1 of each year. The Capital Appreciation Bonds are dated the date of delivery of the Bonds and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2013. See "THE BONDS" herein. The Bonds are subject to redemption prior to maturity. See "THE BONDS—Redemption Provisions" herein.

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

MATURITY SCHEDULES

See Inside Cover

The Current Interest Bonds are being purchased for re-offering by _____, as underwriter of the Current Interest Bonds. The Capital Appreciation Bonds are being purchased for re-offering by _____ as underwriter of the Capital Appreciation Bonds. The Bonds will be offered when, as and if executed and delivered and received by the underwriter, subject to the approval as to their legality by Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, Bond Counsel. It is anticipated that the Bonds, in definitive form, will be available for delivery through the facilities of DTC in New York, New York on or about August 8, 2012.

This Official Statement is dated July ____, 2012

* Preliminary; subject to adjustment

MATURITY SCHEDULES

\$15,000,000*

EL DORADO UNION HIGH SCHOOL DISTRICT
(EL DORADO COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2008, SERIES 2012

\$4,880,000 Current Interest Bonds*

Maturity Date August 1	Principal Amount*	Coupon Interest Rate	Reoffering Yield	CUSIP ⁺
2013	\$ 30,000	—%	—%	283065
2042	4,850,000	—	—	

\$_____ Capital Appreciation Bonds*

Maturity Date August 1	Initial Principal Amount	Accretion Rate	Yield to Maturity	Maturity Value [*]	CUSIP ⁺
2017	\$	—%	—%	\$ 140,000	283065
2018		—	—	110,000	
2019		—	—	80,000	
2020		—	—	100,000	
2021		—	—	150,000	
2022		—	—	150,000	
2023		—	—	145,000	
2024		—	—	125,000	
2025		—	—	150,000	
2026		—	—	155,000	
2027		—	—	160,000	
2028		—	—	160,000	
2029		—	—	175,000	
2030		—	—	180,000	
2031		—	—	180,000	
2032		—	—	200,000	
2033		—	—	225,000	
2034		—	—	520,000	
2035		—	—	810,000	
2036		—	—	5,400,000	
2037		—	—	5,625,000	
2038		—	—	5,825,000	
2039		—	—	6,025,000	
2040		—	—	6,275,000	
2041		—	—	6,520,000	
2042		—	—	1,900,000	

* Preliminary; subject to adjustment.

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

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

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

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

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

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

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

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

\$15,000,000^{*}
EL DORADO UNION HIGH SCHOOL DISTRICT
(EL DORADO COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2008, SERIES 2012

BOARD OF TRUSTEES

Timothy M. Cary, President
Lori M. Veerkamp, Clerk
Kevin W. Brown, Trustee
Mary T. Muse, Trustee
Todd R. White, Trustee

DISTRICT ADMINISTRATION

Christopher Hoffman, Superintendent
Baldev Johal, Associate Superintendent, Business Services
Christopher Moore, Assistant Superintendent, Educational Services & Testing
Stevie Clark, Assistant Superintendent, Human Resources
Steven Volmer, Assistant Superintendent, Student Services
Karen Schrick, Director, Special Education

El Dorado Union High School District
4675 Missouri Flat Road
Placerville, California 95667
(530) 622-5081

FINANCIAL ADVISOR

Government Financial Strategies inc.
1228 N Street, Suite 13
Sacramento, California 95814
(916) 444-5100

BOND COUNSEL

Kronick, Moskovitz, Tiedemann & Girard
a Professional Corporation
400 Capitol Mall, 27th Floor
Sacramento, California 95814
(916) 321-4500

PAYING AGENT

Wells Fargo Bank, National Association
707 Wilshire Boulevard, 17th Floor
Los Angeles, California 90017
(213) 614-4003

^{*} Preliminary; subject to adjustment.

\$15,000,000^{*}
EL DORADO UNION HIGH SCHOOL DISTRICT
(EL DORADO COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2008, SERIES 2012

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^{*} Preliminary; subject to adjustment

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OFFICIAL STATEMENT

\$15,000,000^{*}

EL DORADO UNION HIGH SCHOOL DISTRICT (EL DORADO COUNTY, CALIFORNIA) GENERAL OBLIGATION BONDS, ELECTION OF 2008, SERIES 2012

INTRODUCTORY STATEMENT

The purpose of this Official Statement is to provide certain information concerning the sale and delivery of the El Dorado Union High School District (El Dorado County, California) General Obligation Bonds, Election of 2008, Series 2012 (the "Bonds") being issued in order to raise money for authorized school purposes.

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

The District

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

Authority for Issuance

The Bonds represent the third series of bonds authorized at an election held in the District on June 3, 2008. The Bonds are being issued by the District under and pursuant to the provisions of Article 4.5 (commencing with Section 53506) of Chapter 3, Part 1, Division 1, Title 1 of the State Government Code, and all laws amendatory thereof or supplemental thereto, to the provisions of a resolution adopted by the board of trustees of the District (the "Board") on June 19, 2012, and to a paying agent agreement dated September 1, 2008, between the District and Wells Fargo Bank, National Association (the "Paying Agent"), as amended by a supplemental paying agent agreement dated August 1, 2010 and a second supplemental paying agent agreement dated August 1, 2012 (collectively, the "Paying Agent Agreement").

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

^{*} Preliminary; subject to adjustment

Purpose of the Bonds

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

Source of Payment for the Bonds

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

Description of the Bonds

The Bonds will be issued as Current Interest Bonds and Capital Appreciation Bonds.

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

Interest on the Current Interest Bonds is first payable on August 1, 2013, and semiannually thereafter on February 1 and August 1 of each year. The Capital Appreciation Bonds are dated the date of delivery of the Bonds and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2013. See "THE BONDS" herein.

Professionals Involved

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

Continuing Disclosure

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

Other Information

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

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

THE BONDS

General Obligation Bond Election of 2008

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

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

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

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

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

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

Source: Registrar of Voters, El Dorado County, California

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

Form and Registration

The Bonds are being issued as Current Interest Bonds and Capital Appreciation Bonds. The Bonds will be dated their date of delivery and issued in fully registered form only, without coupons, in denominations of \$5,000 principal amounts for the Current Interest Bonds and Maturity Value (as defined herein) for the Capital Appreciation Bonds, or any integral multiple thereof. The Bonds will initially be registered in the name of Cede & Co., as nominee of DTC. DTC will act as security depository of the Bonds. Purchases of Bonds under the DTC book-entry system must be made by or through a DTC Participant (as defined herein), and ownership interests in Bonds will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Bonds, Owners will not receive physical certificates representing their ownership interests. See “THE BONDS—DTC Book-Entry Only” herein.

Payment of Principal and Interest

The Current Interest Bonds will mature on August 1 in the years and bear interest at the rates indicated on the inside cover page of this Official Statement. Interest on the Current Interest Bonds will be paid each February 1 and August 1, commencing August 1, 2013 (each an "Interest Payment Date"), computed using a year of 360 days comprising twelve 30-day months.

The Capital Appreciation Bonds accrete in value from their delivery date at the rates per annum (the "Accretion Rate") set forth on the inside cover of this Official Statement, compounded semiannually on February 1 and August 1 of each year commencing August 1, 2013. Interest with respect to each Capital Appreciation Bond is represented by the amount each Capital Appreciation Bond accretes in value from its initial principal amount on the date of delivery to the date for which its accreted value is calculated. The accreted value ("Accreted Value") of a Capital Appreciation Bond is the initial principal amount on the date of delivery plus the interest accrued thereon, compounded semiannually at the Accretion Rate. The Accreted Value of a Capital Appreciation Bond on its maturity date is its "Maturity Value." See "APPENDIX A—ACCRETED VALUES TABLES" herein.

As long as DTC, or Cede & Co. as its nominee, is the registered owner of all the Bonds, principal of and interest on the Current Interest Bonds, and the Maturity Value on the Capital Appreciation Bonds, will be paid in lawful money of the United States of America by the Paying Agent to DTC, and disbursement of such payments to the DTC Participants (as defined herein) will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (as defined herein) will be the responsibility of the DTC Participants. See "THE BONDS—DTC Book-Entry Only" herein. Such payment to Cede & Co. or its registered assignee will be made by wire transfer.

In the event that use of this book-entry system is discontinued for the Bonds, the principal of the Current Interest Bonds and the Maturity Value of the Capital Appreciation Bonds are payable to the Owner thereof upon surrender thereof in lawful money of the United States of America at the Paying Agent's Office. Payment of interest on any Current Interest Bond on each Interest Payment Date (or on the following business day, if the Interest Payment Date does not fall on a business day) will be made to the Owner as of the preceding Record Date (the 15th day of the calendar month immediately preceding the relevant Interest Payment Date), such interest to be paid by check or draft mailed to such Owner at such Owner's address as it appears on Bond Register (as defined herein) or at such other address as the Owner may have filed with the Paying Agent for that purpose on or before the Record Date. The Owner of an aggregate principal amount of \$1,000,000 or more of Bonds may request in writing to the Paying Agent to be paid interest by wire transfer to the Owner's bank and account number on file with the Paying Agent as of the applicable Record Date.

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

Registration, Transfer and Exchange

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

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

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

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

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

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

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

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

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

Redemption Provisions

Optional Redemption. The Bonds maturing on or after August 1, 2023, are subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part (by such maturities as may be specified by the District and at random within a maturity), on any date on or after August 1, 2022, at a redemption price equal to the principal amount of the Current Interest Bonds, or the initial principal amount of the Capital Appreciation Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

Optional Redemption Price Schedule

100% if redeemed on August 1, 2022 or thereafter.

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

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

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

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

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

Defeasance of Bonds

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

- (1) The Owner thereof will be entitled to payment of the Bond or the redemption price of and interest on such Bond by the District and the District will remain liable for such payment, but only out of such money or securities deposited with the Paying Agent, escrow agent, or other fiduciary as aforesaid for their payment, and
- (2) The Owner thereof will retain its rights of transfer or exchange of Bonds as provided in the Paying Agent Agreement.

Unclaimed Moneys

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

DTC Book-Entry Only

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

DTC, New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each issue (or series) of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million

issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Sources and Uses of Funds

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

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

SOURCES OF FUNDS	
Par Amount of Bonds	
Original Issue Premium	
TOTAL SOURCES OF FUNDS	
USES OF FUNDS	
Building Fund	
Underwriter's Discount ¹	
Tax Collection Fund	
TOTAL USES OF FUNDS	
¹ Certain costs of issuance including fees and expenses of bond counsel, financial advisor, rating agency, and other expenses related to the issuance of the Bonds are being paid by the Current Interest Bond Underwriter out of their gross compensation.	

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Debt Service Schedules

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

**El Dorado Union High School District
General Obligation Bonds, Election of 2008, Series 2012**

<u>Maturity August 1</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		<u>Total Bonds</u>	
	<u>Principal</u>	<u>Coupon</u>	<u>Annual Debt Service</u>	<u>Initial Principal</u>	<u>Accretion Rate</u>	<u>Maturity Value</u>	<u>Annual Debt Service</u>
2013	\$30,000.00					\$0.00	
2014	0.00					0.00	
2015	0.00					0.00	
2016	0.00					0.00	
2017	0.00					140,000.00	
2018	0.00					110,000.00	
2019	0.00					80,000.00	
2020	0.00					100,000.00	
2021	0.00					150,000.00	
2022	0.00					150,000.00	
2023	0.00					145,000.00	
2024	0.00					125,000.00	
2025	0.00					150,000.00	
2026	0.00					155,000.00	
2027	0.00					160,000.00	
2028	0.00					160,000.00	
2029	0.00					175,000.00	
2030	0.00					180,000.00	
2031	0.00					180,000.00	
2032	0.00					200,000.00	
2033	0.00					225,000.00	
2034	0.00					520,000.00	
2035	0.00					810,000.00	
2036	0.00					5,400,000.00	
2037	0.00					5,625,000.00	
2038	0.00					5,825,000.00	
2039	0.00					6,025,000.00	
2040	0.00					6,275,000.00	
2041	0.00					6,520,000.00	
2042	<u>4,850,000.00</u>					<u>1,900,000.00</u>	
	\$4,880,000.00					\$41,485,000.00	

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

Outstanding General Obligation Bond Debt El Dorado Union High School District

Bond Year Ending August 1	Debt Service of Outstanding Bonds	Debt Service of The Bonds	Total Debt Service
2012	\$3,758,458	[to come]	[to come]
2013	3,606,245		
2014	3,658,845		
2015	3,735,595		
2016	3,827,495		
2017	3,776,145		
2018	3,896,945		
2019	4,065,095		
2020	4,186,795		
2021	4,277,545		
2022	4,418,995		
2023	3,658,158		
2024	3,562,545		
2025	3,703,020		
2026	3,850,283		
2027	3,999,764		
2028	4,155,744		
2029	4,319,306		
2030	4,489,916		
2031	4,668,098		
2032	4,851,013		
2033	5,038,200		
2034	4,958,500		
2035	4,903,500		
2036	-		
2037	-		
2038	-		
2039	-		
2040	-		
2041	-		
2042	-		
Total	\$99,366,205		

SECURITY AND SOURCE OF PAYMENT

General

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

Property Taxation System

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

Local property taxation is the responsibility of various county officers. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the net assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county treasurer-tax collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the county treasurer-tax collector, as *ex officio* treasurer of each school district located in the county, holds and invests school district funds, including taxes collected for payment of school bonds. Taxes on property in a school district whose boundaries extend into more than one county are administered separately by the county in which the property is located (the District is located solely in El Dorado County). The State Board of Equalization also assesses certain special classes of property, as described later in this section.

Assessed Valuation of Property Within the District

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

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

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

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

State-Assessed Property. Under the Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local

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

Locally taxed property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is "unsecured," and is assessed on the "unsecured roll." Property assessed by the State Board of Equalization is commonly identified for taxation purposes as "utility" property.

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

Shown in the following table is the assessed valuation of the various classes of property in the District in the past 10 years, including homeowner's exemption and utility values.

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

Fiscal Year			Total Secured Assessed Value	Total Unsecured Assessed Value	Total Assessed Value	Percentage Change
2002	-	03	10,081,983,749	269,683,438	10,351,667,187	11.45%
2003	-	04	11,271,072,220	306,917,743	11,577,989,963	11.85%
2004	-	05	12,631,416,365	326,661,464	12,958,077,829	11.92%
2005	-	06	14,638,093,328	344,132,947	14,982,226,275	15.62%
2006	-	07	16,749,151,242	382,597,488	17,131,748,730	14.35%
2007	-	08	18,251,883,469	431,365,595	18,683,249,064	9.06%
2008	-	09	18,826,666,102	474,864,426	19,301,530,528	3.31%
2009	-	10	18,233,943,196	440,258,294	18,674,201,490	-3.25%
2010	-	11	17,140,826,511	413,235,435	17,554,061,946	-6.00%
2011	-	12	16,878,583,287	393,486,497	17,272,069,784	-1.61%

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

There has been a significant slowdown in the housing market in the County leading to a reduction in sales prices. As a result, the County Assessor has lowered the assessed value of a number of parcels throughout the District. The County Assessor may further reduce assessed value in future fiscal years.

The District may not issue bonds in excess of 1.25% of the assessed valuation of taxable property within its boundaries. The District's gross bonding capacity is approximately \$215.9 million. Upon issuance of the Bonds, the District will have remaining bonding capacity of approximately \$144.18 million.

Shown in the following table are the assessed valuation and parcels by land use in the District for fiscal year 2011-12.

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

	2011-12 <u>Assessed Valuation</u> ¹	<u>% of Total</u>	<u>No. of Parcels</u>	<u>% of Total</u>
NON-RESIDENTIAL:				
Agricultural/Timber	\$17,947,501	0.11%	651	1.04%
Commercial	655,979,764	3.89	703	1.12
Vacant Commercial	79,632,193	0.47	362	0.58
Industrial	724,150,131	4.29	791	1.26
Vacant Industrial	92,292,940	0.55	301	0.48
Recreational	154,539,395	0.92	160	0.25
Government/Social/Institutional	23,720,312	0.14	70	0.11
Miscellaneous	<u>44,527,786</u>	<u>0.26</u>	<u>377</u>	<u>0.60</u>
Subtotal Non-Residential	\$1,792,790,022	10.62%	3,415	5.44%
RESIDENTIAL:				
Single Family Residence	\$13,698,360,707	81.18%	46,125	73.51%
Condominium/Townhouse	77,304,939	0.46	650	1.04
Mobile Home	313,928,023	1.86	2,828	4.51
2-3 Residential Units	89,848,047	0.53	430	0.69
4+ Residential Units/Apartments	272,571,772	1.62	267	0.43
Miscellaneous Residential	37,758,298	0.22	559	0.89
Vacant Residential	<u>591,954,353</u>	<u>3.51</u>	<u>8,475</u>	<u>13.51</u>
Subtotal Residential	\$15,081,726,139	89.38%	59,334	94.56%
Total	\$16,874,516,161	100.00%	62,749	100.00%

¹ Local Secured Assessed Valuation (excluding utility values).

Source: California Municipal Statistics, Inc.

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Largest Taxpayers in District

The 20 taxpayers in the District with the greatest combined assessed valuation of taxable property on the 2011-12 tax roll own property that comprises 2.88% of the total assessed valuation of secured property in the District. These taxpayers, ranked by aggregate assessed value of taxable property, as shown on the 2011-12 secured tax roll, and the amount of each owner's assessed valuation for all taxing jurisdictions within the District, are shown in the following table.

Largest Taxpayers El Dorado Union High School District

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2011-12 Assessed Valuation</u>	<u>% of Total¹</u>
1.	California Physicians Service	Office Building	\$ 54,796,475	0.32%
2.	Safeway Inc.	Supermarkets	36,820,285	0.22
3.	SI 48 A CA LLC	Apartments	36,409,811	0.22
4.	Town Center East LP	Commercial	32,207,637	0.19
5.	Serrano Associates LLC	Residential/Golf	27,768,158	0.16
6.	DST Realty of California Inc.	Industrial	25,333,685	0.15
7.	Syers Properties III LLC	Commercial	24,038,271	0.14
8.	LBA Realty Fund III Co.	Office Building	23,469,000	0.14
9.	WRI Golden State LLC	Commercial	22,794,266	0.14
10.	Target Corporation	Commercial	22,236,362	0.13
11.	CSS Properties LLC	Office Building	21,594,397	0.13
12.	Angelo K. Tsakopoulos	Land Holdings	21,057,353	0.12
13.	Sierra Pacific Industries	Industrial	20,951,051	0.12
14.	Toll CA LP	Residential Development	19,902,361	0.12
15.	N. Bruce and Barbara E. Ashwill	Office Building	18,100,064	0.11
16.	Lake Forest Apartments LLC	Apartments	17,508,481	0.10
17.	Cameron Park Senior Living	Assisted Living	16,146,274	0.10
18.	Sterling Ranch Associates	Apartments	15,840,000	0.09
19.	628 Harvard Cameron LLC	Commercial	15,475,822	0.09
20.	Longs Drug Stores CA LLC	Commercial	<u>12,862,860</u>	<u>0.08</u>
			\$485,312,613	2.88%

¹ 2011-12 Local Secured Assessed Valuation: \$16,874,516,161 (excluding utility values)

Source: California Municipal Statistics, Inc.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness in the taxpayer's financial situation and ability or willingness to pay property taxes. In 2011-12, no single taxpayer owned more than 0.32% of the local secured taxable property in the District. Each taxpayer listed is a unique name on the tax rolls. The District cannot determine from assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table.

Tax Rate

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

The rate of tax necessary to pay fixed debt service on the Bonds in a given year depends in large part on the net assessed value of taxable property in that year. (Unsecured property is taxed at the secured property tax rate from the prior year.) Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable

property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc., could cause a reduction in the net assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

One factor in the ability of taxpayers to pay additional taxes for general obligation bonds is the cumulative rate of tax. The following table shows *ad valorem* property tax rates for the last several years in a typical tax rate area of the District (TRA 100-013). TRA 100-013 comprises approximately 6.15% of the total assessed value of taxable property in the District.

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

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
General Tax Rate	1.0000	1.0000	1.0000	1.0000	1.0000
Rescue Union School District	.0195	.0232	.0260	.0293	.0310
El Dorado Union High School District	.0056	.0208	.0214	.0207	.0206
Los Rios Community College District	.0066	.0074	.0214	.0090	.0192
El Dorado Hills Community Services District	.0047	.0042	-	-	-
Total All Property Tax Rate	<u>1.0364</u>	<u>1.0556</u>	<u>1.0598</u>	<u>1.0590</u>	<u>1.0708</u>
El Dorado Irrigation District	<u>.0106</u>	<u>.0104</u>	<u>.0094</u>	<u>.0092</u>	<u>.0101</u>
Total Land Only Tax Rate	<u>.0106</u>	<u>.0104</u>	<u>.0094</u>	<u>.0092</u>	<u>.0101</u>

Source: California Municipal Statistics, Inc.

Tax Collections and Delinquencies

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

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

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

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

Secured Tax Charges and Delinquencies El Dorado Union High School District

<u>Fiscal Year</u>	<u>Secured Tax Charge¹</u>	<u>Amount Delinquent as of June 30</u>	<u>Percent Delinquent as of June 30</u>
2001-02	\$ 89,709,244.93	\$1,917,305.43	2.14%
2002-03	100,930,646.15	1,973,881.96	1.96
2003-04	112,677,367.35	1,886,167.13	1.67
2004-05	127,155,776.89	2,106,003.05	1.66
2005-06	147,489,284.21	2,902,399.17	1.97
2006-07	169,174,859.68	5,413,207.53	3.20
2007-08	184,809,387.20	7,720,276.33	4.18
2008-09	194,634,973.89	8,763,232.91	4.50
2009-10	188,502,593.88	6,013,135.06	3.19
2010-11	177,052,599.56	4,450,264.51	2.51

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

Source: California Municipal Statistics, Inc.

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

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

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

Direct and Overlapping Bonded Debt

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

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

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

Statement of Direct and Overlapping Bonded Debt (As of July 1, 2012) El Dorado Union High School District

2011-12 Total Assessed Valuation: \$17,272,069,784

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 7/1/12</u>
Los Rios Community College District	12.833%	\$39,616,754
El Dorado Union High School District	100.000	57,635,000¹
Gold Oak Union School District	100.000	2,907,344
Buckeye Union School District	100.000	26,874,996
Gold Trail Union School District	100.000	1,380,000
Placerville Union School District	100.000	4,659,987
Rescue Union School District	100.000	23,930,810
Cameron Park Community Services District	100.000	7,989,458
El Dorado Irrigation District	99.927	3,062,763
El Dorado County Community Facilities District Nos. 1992-1, 2001-1, 2005-1 and 2005-2	100.000	101,310,000
Statewide Communities Infrastructure Program (SCIP) 1915 Act Bonds	100.000	13,406,717
Other 1915 Act Bonds	100.000	525,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$283,298,829
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Los Rios Community College District Certificates of Participation	12.833%	\$ 783,455
Sierra Joint Community College District Certificates of Participation	0.001	125
El Dorado Union High School District Certificates of Participation	100.000	17,319,154
Buckeye Union School District Certificates of Participation	100.000	27,975,000
Rescue Union School District Certificates of Participation	100.000	7,860,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$53,937,734
 COMBINED TOTAL DEBT		 \$337,236,563²

Ratios to 2011-12 Assessed Valuation:

Direct Debt (\$57,635,000)	0.33%
Combined Direct Debt (\$74,954,154)	0.43%
Total Direct and Overlapping Tax and Assessment Debt	1.64%
Combined Total Debt	1.95%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: \$0

¹ Excludes general obligation bonds to be sold.

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

Source: California Municipal Statistics, Inc.

CAPITAL PROJECTS FINANCING PLAN

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

The Bonds represent the third and final series of bonds to be issued under Measure Q. Upon the issuance of the Bonds, the District will have exhausted Measure Q authorization*.

EL DORADO COUNTY TREASURY POOL

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

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

Funds held in the County Pool are invested by the Treasurer in accordance with State law and the El Dorado County Pooled Investments Statement of Investment Policy (the "Investment Policy") which is prepared by the Treasurer and approved by the County Board of Supervisors. The County Board of Supervisors adopted the current Investment Policy on March 13, 2012, a copy of which is attached hereto as "APPENDIX E." The policy statement sets forth the Treasurer's investment objectives: safety of principal, liquidity, public trust, and yield. In addition, the Investment Policy describes the instruments eligible for inclusion in the investment portfolio and the limitations applicable to each type.

A summary description of the composition and book value of the County Pool as of June 30, 2012 is provided below.

Summary of the County Pool Investments as of June 30, 2012 El Dorado County

<u>Investments</u>	<u>Book Value</u>	<u>% of Portfolio</u>	<u>Term</u>	<u>Days to Maturity</u>	<u>YTM 360 Equiv.</u>	<u>YTM 365 Equiv.</u>
State Local Agency Investment Fund	\$50,000,000.00	12.07%	1	1	0.358	0.363
Treasury Securities - Coupon	239,578,799.23	57.82%	628	385	0.375	0.380
Certificates of Deposit - Bank	65,280,135.00	15.75%	282	158	0.365	0.370
Money Market Account	<u>59,499,000.00</u>	<u>14.36%</u>	<u>1</u>	<u>1</u>	<u>0.262</u>	<u>0.265</u>
Total	\$414,357,934.23	100.00%	408	248	0.355	0.360

Source: El Dorado County Treasurer and Tax Collector.

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* Preliminary; subject to adjustment.

A summary description of the total earnings of the County Pool as of June 30, 2012 is provided below.

Summary of the County Pool Earnings as of June 30, 2012 El Dorado County

<u>Total Earnings</u>	<u>June 30 Ending</u>	<u>Fiscal Year To-Date</u>	<u>Fiscal Year Ending</u>
Current Year	\$129,487.33	\$1,748,293.31	\$1,748,293.31
Average Daily Balance	\$449,035,856.55	\$439,021,383.64	
Effective Rate of Return	0.35%	0.40%	

Source: El Dorado County Treasurer and Tax Collector.

COUNTY ECONOMIC PROFILE

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

General Information

The County is one of 58 counties in the State and is located in the foothills of the Sierra Nevada, approximately 30 miles east of Sacramento. Based on data compiled by DataQuick Information Systems, the median sale price of a single-family home in the County was \$240,000 in March 2012, a decrease of approximately 8.6% from \$262,500 in March 2011.

Population

The following table displays estimated population data as of January 1st for the past two years for the County.

Historical Population El Dorado County

	<u>2011</u>	<u>2012</u>
El Dorado County	180,483	180,712

Source: State Department of Finance

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Unemployment

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

Historical Unemployment El Dorado County

	Annual <u>2008</u>	Annual <u>2009</u>	Annual <u>2010</u>	Annual <u>2011</u>	March <u>2012</u> ¹
Total Labor Force	91,100	91,800	91,800	91,000	91,600
# Employed	84,800	81,500	80,400	80,300	80,700
# Unemployed	6,300	10,300	11,400	10,700	10,900
Unemployment Rate	6.9%	11.3%	12.4%	11.8%	11.9%

¹Preliminary.

Source: State Employment Development Department.

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Major Employers

The following table provides a listing of 25 major employers in the County, listed by number of employees in full-time equivalents ("FTEs").

Major Employers El Dorado County

<u>Rank</u>	<u>Employer Name</u>	<u># of FTEs in County</u>	<u>Type of Business</u>
1	Blue Shield of California	1,719	Health plan
2	El Dorado County	1,583	Government
3	Marshall Medical Center	1,145	Hospital and health care services
4	DST Output	850	Statement and billing output solutions
5	Sierra-at-Tahoe Inc.	752	Resort
6	State of California	685	Government
7	Raley's Family of Fine Stores	540	Retail Grocery
8	Barton Health	495	Health care
9	Camp Richardson Resort	400	Lodging, food and beverage, and recreation
10	Roebbelen Contracting Inc.	263	General contracting and construction management
11	El Dorado Irrigation District	222	Water, wastewater, recycled water, solar power
12	El Dorado County Office of Education	210	Education
13	Doug Veerkamp General Engineering Inc.	200	Construction of underground utilities
13	Embassy Suites Lake Tahoe Hotel & Ski Resort	200	Resort hotel
15	Lake Tahoe Community College	198	Community college
16	City of South Lake Tahoe	183	Municipal government
17	El Dorado Savings Bank	174	Banking
18	Wells Fargo & Co.	108	Financial services
19	Serrano Country Club	106	Private country club
20	Envision Pharmaceutical Services	100	Health care specialty-prescription benefits management
21	Carter-Kelly Inc.	85	General contracting and construction management
22	Mother Lode Rehabilitation Enterprises Inc.	78	Rehabilitation for people with developmental disabilities
22	Snowline Engineering	78	Manufacturing, aerospace
24	City of Placerville	75	Municipal government
24	Mercedes-Benz of El Dorado Hills	75	Automobile sales, service, parts

Source: 2011 Sacramento Business Journal.

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Taxable Sales

Total taxable sales reported during the calendar year 2010 in the County were approximately \$1,561,471,000, a 2.2% increase from the total taxable sales of approximately \$1,527,935,000 reported during calendar year 2009. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the County is presented in the following table, rounded to the nearest thousand.

Taxable Retail Sales El Dorado County

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Sales Tax Permits	6,216	6,122	6,132	5,592	5,702
Taxable Sales (000's)	\$1,898,805	\$1,896,995	\$1,787,804	\$1,527,935	\$1,561,471

Source: State Board of Equalization.

THE DISTRICT

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

General Information

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

The District provides public education to over 6,900 students in grades nine through twelve in four comprehensive high schools, four alternative schools, a charter school, a regional occupational program (ROP), a community day school, a jail program, and a career technical education program. 12 elementary school districts feed into the District.

The Board of Trustees and Key Administrative Personnel

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

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

The Board of Trustees
El Dorado Union High School District

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Timothy M. Cary	President	December 2014
Lori M. Veerkamp	Clerk	December 2012
Kevin W. Brown	Trustee	December 2014
Mary T. Muse	Trustee	December 2012
Todd R. White	Trustee	December 2014

Average Daily Attendance

Student enrollment determines to a large extent what a California public school district receives in funding for program, facilities and staff needs. Average daily attendance (“ADA”) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. See “STATE FUNDING OF PUBLIC EDUCATION” herein. Set forth below are the Period 2 (“P-2”) ADA of the District.

Average Daily Attendance
El Dorado Union High School District

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12*</u>
District P-2 ADA	6,712	6,745	6,588	6,568	6,561
Charter P-2 ADA	<u>118</u>	<u>102</u>	<u>92</u>	<u>53</u>	<u>36</u>
Total	6,830	6,847	6,680	6,621	6,597

* Budgeted.

Charter Schools

There is currently one charter school operating within the District, the Shenandoah Charter High School, initially granted and approved in 2001. The Charter School is fiscally dependent on the District, and serves grades 9-12.

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

Employee Relations

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

The District has two recognized bargaining agents for its employees. The Faculty Association is the exclusive bargaining agent for all certificated personnel within the District, which includes the teachers of the District. The California School Employees Association (the “CSEA”) is the exclusive bargaining agent for all classified non-management employees of the District. Some

classified employees working in the district administration office of the District are considered “confidential” employees, and as such are not participants in either of the unions.

Set forth in the following table are the District’s bargaining units, number of employees by FTEs, and contract status for fiscal year 2011-12.

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

<u>Certificated</u>	<u># of FTEs</u>	<u>Status</u>
Faculty Association	294	Settled in fiscal year 2011-12.
<u>Classified</u>	<u># of FTEs</u>	<u>Status</u>
CSEA	186	Settled in fiscal year 2011-12.

The District also employs 61 management/supervisor/confidential FTEs in addition to certificated and classified employees.

Pension Plans

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

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

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate (8.25% in 2010-11). The District's contribution to STRS for fiscal year 2010-11 was \$2,115,256, and is budgeted to be \$2,164,605 for fiscal year 2011-12.

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

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate (10.707% in 2010-11). The District's contribution to PERS for fiscal year 2010-11 was \$973,834, and is budgeted to be \$1,017,368 for fiscal year 2011-12. For a more complete description of the District’s pension plan and annual contribution requirements, see “APPENDIX B” attached hereto.

Other Post-Employment Benefits

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

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

An actuarial study was completed identifying the District’s OPEB liability as of July 1, 2009. The study determined the District OPEB unfunded actuarial accrued liability (“UAAL”) to be \$6,535,349, with an annual required contribution (“ARC”) of \$768,312 for fiscal year 2009-10. To date, the District has set aside \$687,567.82 to fund its UAAL; however, this amount is not in an irrevocable trust. The District’s “pay-as-you-go” OPEB cost was \$555,879 in fiscal year 2010-11.

DISTRICT FINANCIAL INFORMATION

Accounting Practices

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

The District’s financial statements consist of government-wide statements and fund-based financial statements. Government-wide statements, consisting of a statement of net assets and a statement of activities, report all the assets, liabilities, revenue and expenses of the District and are accounted for using the economic resources measurement focus and accrual basis of accounting. The fund-based financial statements consist of a series of statements that provide information about the District’s major and non-major funds. Governmental funds, including the District’s General Fund, special revenues funds, capital project funds and debt service funds, are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available, while expenditures are recognized in the period in which the liability is incurred, if measurable. Proprietary funds and fiduciary funds are accounted for using the economic resources measurement focus and accrual basis of accounting. See “NOTE 1” in “APPENDIX B” herein for a further discussion of applicable accounting policies.

The independent auditor for the District is Goodell, Porter, Sanchez & Bright, LLP CPAs, Sacramento, California. The financial statements of the District as of and for the year ending June 30, 2011, are set forth in “APPENDIX B” attached hereto. The auditor has not performed any subsequent events review or other procedures relative to these audited financial statements since the date of its letter.

Budget and Financial Reporting Process

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

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

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

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

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

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

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

Each school district is required by the State Education Code to file these two interim reports each year by not later than December 15 and March 15. Each interim report shows fiscal year to date financial operations and the current budget, with any budget amendments made in light of operations and conditions to that point. The county offices of education must then, within 30 days, evaluate the interim reports and forward their comments to the State Department of Education and the State Controller's Office. Included in the report is a certification by the president of the governing board of each school district that classifies the school district according to its ability to meet its financial obligations. The certifications are grouped into three categories: positive certification, which designates that the school district will be able to meet its financial obligations for the remainder of the fiscal year and the following two years; qualified certification, which means that the school district may not be able to meet its financial obligations for the remainder of the fiscal year and following two years if certain events occur; and negative certification, which signifies that the school district will not be able to meet its financial obligations for the remainder of the fiscal year or of the following year. A certification by the governing board may be overridden by the county superintendent. If either the first or second interim report is not positive, the county superintendent may require the district to provide a third interim report by June 1 covering the period ending April 30. If not required, a third interim report is generally not prepared (though may be at the election of the district). The same calendar applies to the budgets of county offices of education, except that their budgets and reports go to the State Superintendent of Public Instruction for review.

The county superintendent must annually present a report to the governing board of the school district and the State Superintendent of Public Instruction regarding the fiscal solvency of any school district with a disapproved budget, qualified interim certification, or negative interim certification, or that is determined at any time to be in a position of fiscal uncertainty, pursuant to Education Code Section 42127.6. Any school district with a qualified or negative certification must allow the county office of education at least ten working days to review and comment on any proposed agreement made between its bargaining units and the school district before it is ratified by the board (or the state administrator). The county superintendent will notify the school district, the county board of education, the governing board and the district superintendent (or the state administrator), and each parent and teacher organization of the school district within those 10 days if, in his or her opinion, the agreement would endanger the fiscal well-being of the school district. Also, pursuant to Education Code Section 42133, a school district that has a

qualified or negative certification in any fiscal year may not issue, in that fiscal year or the next succeeding fiscal year, non-voter approved debt unless the county superintendent of schools determines that the repayment of that debt by the school district is probable.

The filing status of the District's interim reports for the past five years appears below.

Certifications of Interim Financial Reports El Dorado Union High School District

<u>Fiscal Year</u>	<u>First Interim</u>	<u>Second Interim</u>
2007-08	Positive	Positive
2008-09	Positive	Positive
2009-10	Positive	Positive
2010-11	Positive	Positive
2011-12	Positive	Positive

Financial Statements

Figures presented in summarized form herein have been gathered from the District's financial statements. The audited financial statements of the District for the fiscal year ending June 30, 2011, have been included in this Official Statement. See "APPENDIX B" herein. Audited financial statements and other financial reports for all prior fiscal years are on file with the District and available for public inspection during normal business hours. Copies of financial statements relating to any year are available to prospective investors and or their representatives upon request by contacting the District at the address and telephone number set forth on page "iii" of this Official Statement, or by contacting the District's financial advisor, Government Financial Strategies inc., 1228 "N" Street, Suite 13, Sacramento, California, 95814-5609, Tel. (916) 444-5100.

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

Historical General Fund Activity El Dorado Union High School District

	2007-08 <u>Audited</u>	2008-09 <u>Audited</u>	2009-10 <u>Audited</u>
BEGINNING BALANCE	\$10,216,869	\$11,247,777	\$13,567,258
REVENUES			
Revenue Limit Sources	\$45,441,779	\$44,250,739	\$39,193,066
Federal Revenue	2,396,047	4,332,606	4,887,079
Other State Revenues	8,548,911	7,268,497	6,930,619
Other Local Revenues	<u>4,697,243</u>	<u>4,485,047</u>	<u>5,381,777</u>
TOTAL REVENUES	\$61,083,980	\$60,336,889	\$56,392,541
EXPENDITURES			
Certificated Salaries	\$28,944,287	\$28,910,626	\$27,869,291
Classified Salaries	9,400,988	9,279,806	8,848,226
Employee Benefits	9,855,840	9,580,825	9,617,623
Books and Supplies	3,816,442	2,882,136	2,063,825
Services / Other Operating Expenditures	5,101,313	4,345,609	4,610,817
Other Outgo	1,943,730	1,819,143	1,758,834
Capital Outlay	420,482	47,430	16,416
Debt Service	<u>221,800</u>	<u>155,536</u>	<u>89,273</u>
TOTAL EXPENDITURES	\$59,704,882	\$57,021,111	\$54,874,305
OTHER FINANCING SOURCES	(\$348,190)	(\$996,297)	(\$242,466)
NET INCREASE (DECREASE)	\$1,030,908	\$2,319,481	\$1,275,770
ENDING BALANCE	\$11,247,777	\$13,567,258	\$14,843,028

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Beginning in fiscal year 2010-11, beginning fund balances of the General Fund, the Deferred Maintenance Fund and the Special Reserve Fund for Post-Employment Benefits have been combined for financial audit reporting purposes in accordance with GASB Statement No. 54. However, the District continues to budget for these funds separately.

General Fund Activity with GASB 54 Adjustment El Dorado Union High School District

	2010-11 <u>Audited*</u>	2011-12 <u>Estimated Actual</u>	2012-13 <u>Adopted Budget</u>
BEGINNING BALANCE	\$14,843,028	\$18,514,481	\$16,800,161
Balance in other fund	<u>1,252,345</u>	<u>(1,509,257)</u>	<u>0</u>
ADJUSTED BALANCE	\$16,095,373	\$17,005,225	\$16,800,161
REVENUES			
Revenue Limit Sources	\$39,879,969	\$39,597,123	\$39,809,195
Federal Revenue	2,096,947	3,498,909	1,617,286
Other State Revenues	7,493,426	8,023,001	7,536,034
Other Local Revenues	<u>5,473,681</u>	<u>4,629,716</u>	<u>4,324,288</u>
TOTAL REVENUES	\$54,944,023	\$55,748,750	\$53,286,803
EXPENDITURES			
Certificated Salaries	\$25,832,472	\$26,373,709	\$26,615,337
Classified Salaries	8,822,747	8,900,339	8,651,408
Employee Benefits	9,461,665	10,025,940	10,193,320
Books and Supplies	2,064,419	3,035,000	2,439,908
Services / Other Operating Expenditures	4,428,885	5,261,603	4,463,509
Other Outgo	1,577,275	1,558,417	1,570,945
Capital Outlay	106,857	377,995	12,500
Debt Service	<u>83,827</u>	<u>n/a</u>	<u>n/a</u>
TOTAL EXPENDITURES	\$52,378,147	\$55,533,003	\$53,946,927
OTHER FINANCING SOURCES	(\$146,768)	(\$420,811)	(\$72,530)
NET INCREASE (DECREASE)	\$2,419,108	(\$205,064)	(\$732,654)
ENDING BALANCE	\$18,514,481	\$16,800,161	\$16,067,506

*Balances and activities in the Deferred Maintenance Fund and the Special Reserve Fund for Post-Employment Benefits, reclassified as General Fund activities in the 2010-11 audited financial statements, pursuant to GASB Statement No. 54.

Revenues

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

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

expected to be \$7,520.50 in fiscal year 2011-12 (before a deficit factor of 0.79398) and is budgeted to be \$7,764.53 in fiscal year 2012-13 (before a deficit factor of 0.77728).

School district's revenue limit funding is typically accomplished by a mix of a) local property taxes, and b) State apportionments of basic and equalization aid. Generally, the State's apportionments amount to the difference between the District's revenue limit and its local property tax revenues. The District is expected to receive \$ 24,119,897 of property tax revenues (net of transfers) in fiscal year 2011-12, representing 60.9% of the District's revenue limit funding. Revenue limit sources as a whole were 72.6% of General Fund revenues in fiscal year 2010-11, are expected to be 71.0% of General Fund revenues in fiscal year 2011-12, and are budgeted to be 74.7% of General Fund revenues in fiscal year 2012-13.

Federal Revenues. The federal government provides funding for several District programs. Federal revenues also include the revenues received pursuant to the American Recovery and Reinvestment Act signed into federal law on February 17, 2009. These federal revenues, most of which are restricted, were 3.8% of General Fund revenues in fiscal year 2010-11, are expected to be 6.3% of General Fund revenues in fiscal year 2011-12, and are budgeted to be 3.0% of General Fund revenues in fiscal year 2012-13.

Other State Revenues. In addition to apportionment revenues, the State provides funding for several District programs. While these other State revenues have historically been restricted, the 2011-12 State Budget extended spending flexibility through fiscal year 2014-15 for a variety of categorical programs. These other State revenues were 13.6% of General Fund revenues in fiscal year 2010-11, are expected to be 14.4% of General Fund revenues in fiscal year 2011-12, and are budgeted to be 14.1% of General Fund revenues in fiscal year 2012-13. Included in other State revenues are proceeds received from the State from the California State Lottery.

Other Local Revenues. In addition to property taxes, District receives additional local revenues including parcel tax revenues. Revenues from other local sources were 10.0% of General Fund revenues in fiscal year 2010-11, are expected to be 8.3% of General Fund revenues in fiscal year 2011-12, and are budgeted to be 8.1% of General Fund revenues in fiscal year 2012-13.

Expenditures

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

Employee salaries and benefits were 84.2% of General Fund expenditures in fiscal year 2010-11, are expected to be 81.6% of General Fund expenditures in fiscal year 2011-12, and are budgeted to be 84.3% of General Fund expenditures in fiscal year 2012-13. All staff received a 1.5% cost of living adjustment increase, effective July 1, 2011. This increase is ongoing.

Short Term Borrowings

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

Capitalized and Bonded Lease Obligation

The District has made use of various capital lease arrangements in the past under agreements that provide for title of items and equipment being leased to pass to the District upon expiration of the lease period. The District has promised to annually appropriate the amounts necessary to make all future lease payments from available revenues. All capitalized and bonded lease obligations of the District as of June 30, 2011 are set forth in "APPENDIX B" attached hereto. The District's current capitalized and bonded lease obligations are set forth in the following table.

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

<u>Obligation Type</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Final Maturity</u>	<u>Outstanding as of June 30, 2012</u>	<u>Debt Service in Fiscal Year 2012-13</u>
COPs	April 5, 2006	\$14,295,000	2016	\$8,315,000	\$1,950,950
Refunding COPs	December 9, 2009	\$9,004,154	2039	10,013,065 ¹	142,313

¹ Includes the accreted value on the capital appreciation certificates.

Long Term Bonded Indebtedness

All long term bonded indebtedness of the District as of June 30, 2011 are set forth in "APPENDIX B" attached hereto. The District's long term bonded indebtedness are set forth in the following table.

Outstanding General Obligation Bonds El Dorado Union High School District

<u>Authorization</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Final Maturity</u>	<u>Outstanding as of June 30, 2012</u>	<u>Debt Service in Fiscal Year 2012-13</u>
Refunding	May 7, 2008	\$12,340,000	2023	\$10,255,000	\$1,131,319
Election of 2008	September 30, 2008	\$34,000,000	2033	30,990,000	1,460,688
Election of 2008	August 4, 2010	17,300,000	2035	16,620,000	1,150,345

STATE FUNDING OF PUBLIC EDUCATION

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

Revenue for Public Education

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

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

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

The final revenue source for school districts is the California State Lottery. Approved by voters in late 1984, the lottery generates about 1% of total school revenues. Every three months the Lottery Commission calculates 34% of lottery proceeds for all public education institutions, the minimum according to the lottery law. Every K-14 school district receives the same amount of lottery funds per pupil from the State, which may be spent for any instructional purpose, excluding capital projects.

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

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

Apportionments for revenue limits are calculated three times a year for each school district, community college district and county board of education. The first calculation is performed for the February 20th First Principal Apportionment (based on Period 1 ADA determined in December), the second calculation for the June 25th Second Principal Apportionment (based on Period 2 ADA determined in April), and the final calculation for the end of the year Annual Apportionment (also based on Period 2 ADA). Calculations are reviewed by the county and submitted to the State Department of Education with respect to school districts and to the Chancellor of the California Community Colleges with respect to community college districts, which, respectively, reviews the calculations for accuracy, calculates the amount of state aid owed to such school district or community college district, as the case may be, and notifies the State Controller of the amount, who then distributes the state aid.

School districts that receive their revenue limit income entirely from property taxes are called "basic aid" school districts. These school districts are permitted to keep all their property tax money (even if it exceeds their revenue limit). As guaranteed in the State Constitution, the State must apportion \$120 per pupil to all school districts. However, the categorical aid (see below) that basic aid school districts receive counts toward this requirement. The District is not a basic aid district.

Distribution of Revenue for School Districts

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

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

There are a number of major federal and State categorical aid programs. Some allocations come automatically to school districts, while others require an application. Some programs are based on the characteristics of the children or families in a particular school district, such as gifted and talented, non-English speaking, migrant, low income or handicapped students. Other programs are for specific activities or expenses, such as transportation, textbooks or childcare. Each year a large amount of aid is allocated

directly to the State Teachers' Retirement System (STRS) fund. For the past several years, supplemental grants have been directed to equalizing school districts' income from revenue limits plus specific categoricals. Most of the federal funds flow through the California Department of Education, which retains a certain percentage for administration.

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

School Facilities. Growing enrollments and/or aging facilities require school districts to build or make major renovations to school buildings. The income from developer fees on residential or commercial property is insufficient to fund all facilities costs. Voter approved general obligation bond moneys may only be used for purchase or improvement of real property, while Mello-Roos taxes can be used for this as well as for ongoing maintenance or purchase of needed equipment. A majority of voters has regularly approved state bond measures for the construction or reconstruction of schools.

State IOUs and Deferrals

In recent years, fiscal stress and difficulties in achieving a balanced State budget have resulted in actions that include the State issuing IOUs (defined below) to its creditors, and the deferral of school funding.

On July 2, 2009, as a result of declines in State revenues commencing in fiscal year 2008-09, the State Controller began to issue registered warrants (or "IOUs") for certain lower priority State obligations in lieu of warrants (checks) which could be immediately cashed. The registered warrants, the issuance of which did not require the consent of recipients, bore interest. With enactment of an amended budget in late July, 2009, the State was able to call all its outstanding registered warrants for redemption on September 4, 2009. The issuance of state registered warrants in 2009 was only the second time the State has issued state registered warrants to such types of state creditors since the 1930s.

Furthermore, commencing in fiscal year 2008-09, to better manage its cash flow in light of declining revenues, the State has enacted several statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year, in order to more closely align the State's revenues with its expenditures. This technique has been used several times through the enactment of budget bills in fiscal years 2008-2009 through 2012-13. Some of these statutory deferrals were made permanent, and others were implemented only for one fiscal year. For fiscal year 2012-13, enacted K-12 inter-year deferrals total \$7.4 billion; however, should a proposed tax initiative to be considered by voters at a November 2012 election fail, inter-year deferrals would increase to \$9.5 billion.

Fiscal stress and cash pressures currently facing the State may continue or become more difficult, and continuing declines in State tax receipts or other results of the current economic recession may materially adversely affect the financial condition of the State.

The 2011-12 State Budget

The information in this section has been compiled from publicly available information through the State Department of Finance and the State Legislative Analyst's Office. Neither the District nor the Underwriter assume any responsibility for the accuracy of such information as set forth or incorporated by reference herein, although they believe that the information provided by the above-listed sources is reliable.

Adopted Budget. On June 30, 2011, the Governor signed into law the 2011-12 State budget (the "2011-12 State Budget"). The 2011-12 State Budget, including previously enacted legislation, closed a projected \$26.6 billion budget gap through \$15.0 billion in expenditure reductions, \$0.9 billion in revenue increases and \$2.9 billion in other solutions, which, combined with an increased State revenue forecast of \$8.3 billion, resulted in a budgeted State general fund reserve of \$543 million at the end of fiscal year 2011-12.

Funding for K-12 Education. The 2011-12 State Budget included total funding of \$64.1 billion for all K-12 education programs (\$34.7 billion from the State's general fund and \$29.4 billion from other funds). The 2011-12 State Budget funded the Proposition 98 minimum funding requirement at \$48.7 billion, of which \$32.9 billion was budgeted from the State general fund.

The 2011-12 State Budget included a series of trigger reductions in the event the State's revenues were less than forecast. As part of the second series of such trigger reductions, had State revenues fallen short of projections by more than \$2 billion in fiscal year 2011-12, up to \$1.5 billion in reductions to school district revenue limit funding would have been implemented, with a corresponding reduction to the minimum school year length by seven days. In December 2012, the State announced, based on revised revenue estimates, trigger cuts for K-12 education totaling \$79.6 million.

The 2012-13 State Budget

The information in this section has been compiled from publicly available information through the State Department of Finance and the State Legislative Analyst's Office. Neither the District nor the Underwriter assume any responsibility for the accuracy of such information as set forth or incorporated by reference herein, although they believe that the information provided by the above-listed sources is reliable.

Adopted Budget. On June 27, 2012, the Governor signed the fiscal year 2012-13 State budget (the "2012-13 Budget"). The 2012-13 Budget closes a \$15.7 billion budget gap and builds a reserve of nearly \$1 billion with (i) \$8.1 billion in expenditure reductions, (ii) \$6 billion in increased revenues (which assumes the approval by the voters of the Governor's tax initiative, "The Schools and Local Public Safety Protection Act", at a November 2012 election) and (iii) \$2.5 billion from certain loan and transfer measures.

The Schools and Local Public Safety Protection Act proposes to temporarily increase the personal income tax on the State's wealthiest taxpayers for seven years and increase the sales tax by 0.25% for four years. The measure would generate an estimated \$8.5 billion in revenues through fiscal year 2012-13.

The 2012-13 Budget contains the following spending reduction measures:

- Reformation of existing K-14 education mandates claim process by providing a block grant as an alternative. For non-school mandates, provides a multiyear suspension of most mandates to provide greater flexibility to local governments. (\$720 million savings)
- Creation of framework to transfer cash assets previously held by redevelopment agencies to cities, counties, and special districts to fund core public services. Assets transferred to schools will offset State general fund costs. (\$1.5 billion savings)
- Other adjustments including using a fiscal year 2011-12 over-appropriation of the minimum guarantee to prepay Proposition 98 funding required by a court settlement. (\$1.9 million savings)

State general fund revenues (including transfers) are budgeted to be approximately \$95.9 billion in fiscal year 2012-13, an increase of 10.4% from a revised fiscal year 2011-12 State general fund revenues and transfers of \$86.8 billion. State general fund expenditures are budgeted to be \$91.4 billion in fiscal year 2012-13, an increase of 5.0% from a revised \$87.0 billion figure for fiscal year 2011-12.

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The following table identifies historical and budgeted State general fund revenues and expenditures.

State General Fund under the Proposed 2012-13 Budget

	2011-12 <u>Revised</u> (Millions)	2012-13 <u>May Revision</u> (Millions)
Prior-year Fund Balance	(\$2,685)	(\$2,882)
Revenues and Transfers	<u>86,830</u>	<u>95,887</u>
Total Resources Available	84,145	93,005
Expenditures	<u>87,027</u>	<u>91,338</u>
Ending Fund Balances	(\$2,882)	\$1,667
Encumbrances	719	719
Reserve	(3,601)	948

Source: The California Department of Finance

K-12 Education. The 2012-13 Budget includes Proposition 98 funding of \$53.6 billion, of which \$36.8 billion is from the State general fund. This funding level assumes passage of The Schools and Local Public Safety Protection Act, which increases Proposition 98 funding by \$2.9 billion in fiscal year 2012-13.

Other significant K-12 funding adjustments include:

- *Redevelopment Agency Asset Liquidation* – An increase of \$1.3 billion in local property taxes for fiscal year 2012-13 to reflect the distribution of cash assets previously held by redevelopment agencies. The increase in local revenue reduces Proposition 98 State general fund contribution by an identical amount.
- *Proposition 98 Adjustments* – A decrease of approximately \$630 million due to (i) eliminating the hold-harmless adjustment provided to schools from the elimination of the sales tax gasoline in 2010-11, and (ii) using a consistent current value methodology to rebench the guarantee for the exclusion of child care programs, the inclusion of special education mental health services, as well as new and existing property tax shifts. Additionally, the 2012-13 Budget reduces current year appropriations for a number of different programs by \$220.1 million, backfilling them with one-time Proposition 98 general fund, which achieves State general fund savings by an identical amount.
- *Quality Education Investment Act* – A decrease of \$450 million State general fund for fiscal year 2012-13. The over-appropriation in fiscal year 2011-12 will be used to repay the \$450 million required to be provided on top of the minimum guarantee in fiscal year 2012-13 pursuant to the *California Teachers Association v. Schwarzenegger* settlement agreement.
- *Deferrals* – An increase of \$2.1 billion Proposition 98 State general fund to reduce K-12 inter-year deferrals to \$7.4 billion.
- *Charter Schools* – An increase of \$53.7 billion Proposition 98 State general fund for charter schools categorical programs to fund growth in enrollment. Additionally, legislation expands the ability of school districts to convey surplus property to charter schools, while also increasing financial assistance by allowing county treasurers to provide them with short-term cash loans, and by authorizing charter schools to utilize temporary revenue anticipation note borrowings.
- *Mandate Block Grant* – An increase of \$86.2 million over the fiscal year 2011-12 funding level to provide a total of \$166.6 million for K-12 mandates through a new voluntary block grant.
- *Child Care Costs* – Savings of \$294.3 million in non-Proposition 98 State general fund through various cost-reduction measures, including reduction of provider contracts across the board and suspension of statutory COLA.

If The Schools and Local Public Safety Protection Act is not approved by voters in November 2012, automatic trigger cuts of approximately \$5.4 billion for K-14 schools would be implemented effective January 1, 2013. Such trigger cuts equate to a reduction in funding of approximately \$457 per ADA. To accommodate this mid-year reduction, school districts are authorized (subject to collective bargaining) to reduce the school year to 160 days for fiscal years 2012-13 and 2013-14, 15 days shorter than the 175 instructional days currently required.

Litigation Challenging State Funding of Education

On September 28, 2011, the California School Boards Association, the Association of California School Administrators, the Los

Angeles Unified School District, the San Francisco Unified School District and the Turlock Unified School District filed a petition for a writ of mandate in the Superior Court of the State of California in and for the City and County of San Francisco (the “CSBA Petition”). The petitioners allege that the 2011-12 Budget improperly diverted sales tax revenues away from the State general fund, resulting in a reduction to the minimum funding guarantee of approximately \$2.1 billion. The CSBA Petition seeks an order from the Court compelling the State Treasurer, Superintendent of Public Instruction and the State Controller to recalculate the minimum funding guarantee in accordance with the provisions of the California Constitution.

The District is not a party to the CSBA Petition. The District cannot predict whether any of the plaintiffs listed in the CSBA Petition will be successful, what the potential remedies would be or the State’s response to any such remedies. The District makes no representation with regards to how any final court decision with respect to the CSBA Petition would affect the financial status of the District or the State.

Future Budgets

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

For more information on the State Budget, please refer to the State Department of Finance’s website at www.dof.ca.gov and to the Legislative Analyst’s Office’s website at www.lao.ca.gov.

CONSTITUTIONAL & STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES & EXPENDITURES

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

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

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

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

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

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

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

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

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

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

reached an agreement whereby, in effect, the State would repay all losses incurred due to the suspension, with payments to be made annually through 2013-14.

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

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

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

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

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

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

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

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

Possible Future Actions. Article XIII A, Article XIII B and Propositions 46, 39, 98, 111, 1A and 218 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting K-14 school districts' revenues or such districts' ability to expend revenues. There is no assurance

that the State electorate or Legislature will not at some future time approve additional limitations which could reduce property or other tax revenues and adversely affect the revenues of school districts or require additional expenditures.

LEGAL MATTERS

No Litigation

There is no action, suit or proceeding known to be pending or threatened restraining or enjoining the sale and delivery of the Bonds, or in any way contesting or affecting the validity thereof or any proceeding of the District taken with respect to the issuance or sale of the Bonds, or the pledge or application of moneys or security provided for the payment of the Bonds, or the authority of the County to levy property taxes to pay principal and interest on the Bonds when due.

Legal Opinion

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

Tax Matters

In the opinion of Kronick, Moskovitz, Tiedemann & Girard, A Professional Corporation, Sacramento, California, Bond Counsel, based upon the analysis of existing statutes, regulations, ruling and court decisions, and assuming, among other things, the accuracy of certain representations and compliance with certain covenants, the interest on the Bonds is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. Bond Counsel is also of the opinion that interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account when determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. A complete copy of the proposed form of Opinion of Bond Counsel is set forth in “APPENDIX D—FORM OF OPINION OF BOND COUNSEL.”

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

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

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

The rights of the Owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditor's rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

The IRS has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds).

Legality for Investment

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

RATING

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

FINANCIAL ADVISOR

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

INDEPENDENT AUDITOR

The financial statements of the District as of and for the year ending June 30, 2011, have been audited by Goodell, Porter, Sanchez & Bright, LLP CPAs, Sacramento, California. Selected information concerning the financial statements of the District as of and for the year ended June 30, 2011, are set forth in "APPENDIX B" attached hereto. The auditor has not performed any subsequent events review or other procedures relative to these audited financial statements since the date of its letter. Complete copies of past and current financial statements may be obtained from the District.

UNDERWRITING AND INITIAL OFFERING PRICE

The Current Interest Bonds were sold to _____, (the "CIB Underwriter"), pursuant to a bond purchase contract by and between the District and the CIB Underwriter. The CIB Underwriter has agreed to pay certain costs of issuance on behalf of the District in the amount of \$91,300.00 on behalf of the District.]

The Capital Appreciation Bonds were sold to _____, (the “CAB Underwriter”), pursuant to a bond purchase contract by and between the District and the CAB Underwriter.

The total purchase price of the Bonds is equal to the principal amount of the Bonds, plus an original issue premium of \$_____, less an underwriting discount of \$_____, at a true interest cost (TIC) to the District of ____%.

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

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”), by not later than April 15 of each year, commencing with the report for the 2011-12 fiscal year (which is due no later than April 15, 2013), and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of certain enumerated events will be filed by the District with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system. The specific nature of the information to be contained in the Annual Report or the notices are set forth in “APPENDIX C—FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the “Rule”).

Within the past five years, the District has made all required material event notice filings in a timely manner.

ADDITIONAL INFORMATION

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

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

EL DORADO UNION HIGH SCHOOL DISTRICT

By: _____
Christopher Hoffman
Superintendent

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APPENDIX A
ACCREDITED VALUES TABLE

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APPENDIX B

THE BASIC FINANCIAL STATEMENTS OF THE DISTRICT AS OF AND FOR THE YEAR
ENDED JUNE 30, 2011

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

ANNUAL FINANCIAL REPORT

JUNE 30, 2011

EL DORADO UNION HIGH SCHOOL DISTRICT

JUNE 30, 2011

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EL DORADO UNION HIGH SCHOOL DISTRICT

JUNE 30, 2011

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JUNE 30, 2011

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FINANCIAL SECTION

GOODELL,
PORTER,
SANCHEZ &
BRIGHT, LLP

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

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the El Dorado Union High School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the provisions of *California Code of Regulations* Title 5 Education, Section 19810, and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the El Dorado Union High School District as of June 30, 2011 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls 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 assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 3 through 12 and 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise El Dorado Union High School District's financial statements as a whole. The accompanying statistical schedules and combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The statistical schedules, the schedule of expenditures of federal awards and the combining non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.


GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

December 9, 2011

EL DORADO UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

The discussion and analysis of El Dorado Union High School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial performance, please read it in conjunction with the Independent Auditor's Report on page 1, notes to the basic financial statements and the District's financial statements, as listed in the table of contents.

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

FINANCIAL HIGHLIGHTS

- General Fund revenues and other sources exceeded expenditures and other uses by \$2,419,108 ending the year with a fund balance of \$18,514,481, and available reserves of \$11,409,497, higher than the State recommended reserve level of 3%.
- The total of the District's fixed assets, land, site, buildings, and equipment, valued on an acquisition cost basis was \$155.3 million. After depreciation, the June 30, 2011 book value for fixed assets totaled \$118 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

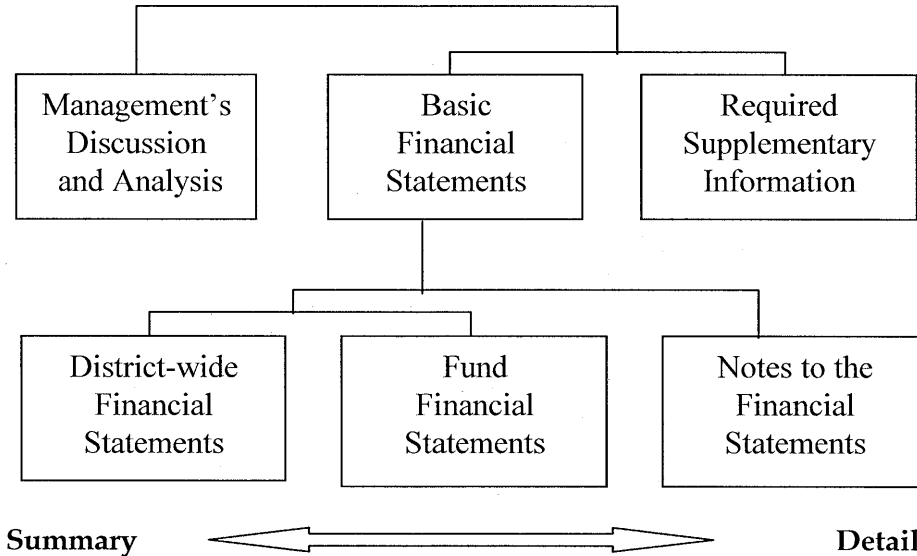
EL DORADO UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Components of the Financial Section



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

EL DORADO UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Components of the Financial Section (Concluded)

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

These two statements provide information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the district as a whole and its activities in a way that helps answer the question, "How did we do financially during 2010-11?"

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

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

EL DORADO UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)

Reporting the District's Most Significant Funds

Fund Financial Statements

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

◆ **Governmental Funds**

Most of the District's activities are reported in governmental funds. The major governmental funds of the District are the General Fund, Building Fund and County School Facilities Fund. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

◆ **Fiduciary Funds**

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

EL DORADO UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The School District as a Whole

The District's net assets were \$77.4 million at June 30, 2011. Of this amount \$8.5 million was restricted. Investments in capital assets, net of related debt, account for \$53.3 million of the total net assets. A comparative analysis of government-wide data is presented in Table 1.

(Table 1)
Comparative Statement of Net Assets

	Governmental Activities	
	2011	2010
Assets		
Cash and investments	\$ 35,514,355	\$ 32,325,421
Receivables	8,977,507	8,287,681
Stores inventory	1,808	13,515
Prepaid expenditures	473,217	488,251
Capital assets	117,997,616	100,390,811
Total assets	<u>\$ 162,964,503</u>	<u>\$ 141,505,679</u>
Liabilities		
Deficit Cash	\$ 1,135,415	\$ 370,494
Accounts payable and other current liabilities	2,579,456	3,177,510
Deferred revenue	1,874,271	586,981
Long-term liabilities	80,019,900	65,823,207
Total liabilities	<u>\$ 85,609,042</u>	<u>\$ 69,958,192</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 53,264,229	\$ 44,028,222
Restricted	8,539,556	13,167,651
Unrestricted	15,551,676	14,351,614
Total net assets	<u>\$ 77,355,461</u>	<u>\$ 71,547,487</u>

EL DORADO UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)

The District's net asset position increased \$5.8 million this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 75% of total expenses. The purely administrative activities of the District accounted for just 6% of total costs. The remaining 19% was spent in the areas of plant services and other expenses, interest on long-term debt and other outgo. (See Figure 2).

(Table 2)
Comparative Statement of Change in Net Assets

	Governmental Activities	
	2011	2010
Revenues		
Program revenues	\$ 8,129,940	\$ 12,931,725
General revenues		
Taxes levied for general purposes	24,944,895	26,707,007
Taxes levied for other specific purposes	2,221	2,595
Taxes levied for debt service	3,657,459	7,149,200
Federal and State Aid not restricted to specific purposes	21,625,770	18,909,064
Interest and investment earnings	215,030	246,073
Interagency revenues	1,591,522	853,710
Miscellaneous	3,057,479	3,691,760
Total revenues	<u>63,224,316</u>	<u>70,491,134</u>
Expenses		
Instruction	29,831,524	31,304,906
Instruction related services	5,710,480	6,675,970
Pupil support services	7,455,905	7,623,497
General administration	3,196,502	7,924,187
Plant services	1,622,998	8,472,262
Other	9,598,933	11,162,966
Total expenses	<u>57,416,342</u>	<u>73,163,788</u>
Increase (Decrease) in net assets	<u>\$ 5,807,974</u>	<u>\$ (2,672,654)</u>

EL DORADO UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

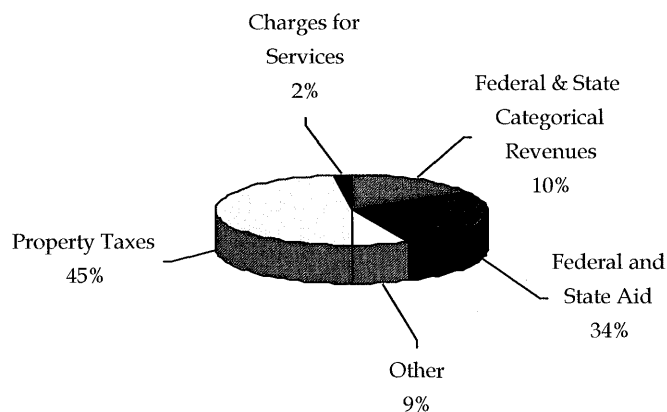
FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONCLUDED)

Governmental Activities

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was \$57.4 million. The amount that our local taxpayers financed for these activities through property taxes was \$28.6 million. Federal and State aid not restricted to specific purposes totaled \$21.6 million. State and Federal Categorical revenue totaled over \$8.1 million, or 12% of the revenue of the entire District (See Figure 1).

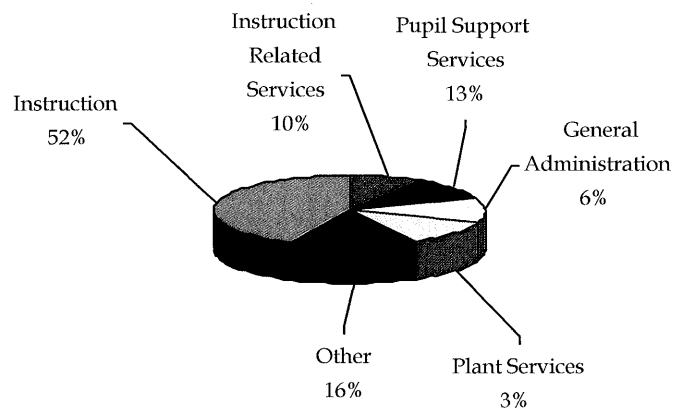
Sources of Revenue for the 2010-11 Fiscal Year

Figure 1



Expenses for the Fiscal Year 2010-11

Figure 2



EL DORADO UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The fund financial statements focus on individual parts of the District's operations in more detail than the government-wide statements. The District's individual fund statements provide information on inflows and outflows and balances of spendable resources. The District's Governmental Funds reported a combined fund balance of \$41.2 million, an increase of \$2.9 million from the previous fiscal year's combined ending balance of \$38.3 million. This increase is mainly reflected in the major funds. The Building Fund balance increased \$5.2 million.

General Fund Budgetary Highlights

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

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

The final revised budget for the General Fund reflected a net increase to the ending balance of \$2.4 million.

The District ended the year with \$18 million in the General Fund ending balance, of which \$1.6 million is designated as the reserve for economic uncertainties. The remaining balance is made up of restricted, assigned, and unassigned fund balances. The State recommends an ending reserve for economic uncertainties of 3 percent. The District's ending reserve was 21.7%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of the 2010-11 fiscal year, the District had invested \$155.3 million in a broad range of capital assets, including school buildings, athletic facilities, administrative buildings, site improvements, vehicles, and equipment. The capital assets net of depreciation were \$118 million at June 30, 2011, which is an increase of \$17,606,805 from the previous year.

EL DORADO UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Concluded)

Table 3
Comparative Schedule of Capital Assets
(net of depreciation)
June 30, 2011 and 2010

	2011	2010	Difference Increase (Decrease)
Land	\$ 3,518,854	\$ 3,518,854	
Site Improvements	12,359,852	13,080,651	\$ (720,799)
Buildings	86,577,261	73,345,246	13,232,015
Machinery and Equipment	3,171,177	2,396,524	774,653
Work in Process	12,370,472	8,049,536	4,320,936
Totals	<u>\$ 117,997,616</u>	<u>\$ 100,390,811</u>	<u>\$ 17,606,805</u>

The primary increase in capital assets was the result of completed projects that were started in an earlier year.

Long-Term Debt

At June 30, 2011, the District had \$80 million in long-term debt outstanding.

Table 4
Comparative Schedule of Outstanding Debt
June 30, 2011 and 2010

	2011	2010
General Obligation Bonds	\$ 59,270,000	\$ 44,130,000
Other Post-employment Benefits	707,783	484,285
Compensated Absences	417,715	380,906
Certificates of Participation	19,624,402	20,747,515
Capital Lease Obligations		80,501
Totals	<u>\$ 80,019,900</u>	<u>\$ 65,823,207</u>

EL DORADO UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

CAPITAL ASSET AND DEBT ADMINISTRATION (CONCLUDED)

Long-Term Debt (Concluded)

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

The long-term debt paid by the District was approximately \$3.8 million in 2010-11.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The State of California remains mired in a very tepid recovery and as a result funding for education remains at low levels when compared to the rest of the nation. The volatility of funding from year to year has become increasingly unpredictable. Nonetheless, when viewed against this backdrop, it's remarkable how well El Dorado Union's Board and staff have responded to the challenges.

Working closely together with the Faculty Association, the District was able to reduce certificated FTEs by increasing class size but maintaining a full 180 day school attendance calendar. These staffing reductions were made through attrition with no layoff notices issued. Likewise, working with CSEA and the Management Group, the District was able to reduce staff through attrition to secure on-going savings again without issuing layoff notices. This operating philosophy has resulted in a high level of morale amongst the staff whilst maintaining long term fiscal stability for the District.

Although many challenges lie ahead, the District, with its prudent level of reserves, is well positioned to respond to any mid-year funding cuts that maybe imposed by the State.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Baldev Johal, Associate Superintendent of Business of the El Dorado Union High School District at bjohal@eduhd.k12.ca.us.

EL DORADO UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2011

		<u>Governmental Activities</u>
<u>Assets</u>		
Cash (Note 2)		\$ 33,244,213
Investments (Note 2)		2,270,142
Accounts Receivable (Note 4)		8,977,507
Stores Inventory (Note 1H)		1,808
Prepaid Expenses (Note 1H)		473,217
Capital Assets, Net of Depreciation (Note 6)		<u>117,997,616</u>
Total Assets		<u>\$ 162,964,503</u>
<u>Liabilities</u>		
Deficit Cash (Note 2)		\$ 1,135,415
Accounts Payable and Other Current Liabilities		2,579,456
Deferred Revenue (Note 1H)		1,874,271
Long-term Liabilities (Note 11)		
Due Within One Year	\$ 3,392,715	
Due After One Year	<u>76,627,185</u>	
Total Long-Term Liabilities		<u>80,019,900</u>
Total Liabilities		<u>\$ 85,609,042</u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt		\$ 53,264,229
Restricted For:		
Capital Projects		3,131,100
Debt Service		5,408,456
Unrestricted		<u>15,551,676</u>
Total Net Assets		<u>\$ 77,355,461</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO UNION HIGH SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

Governmental Activities	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Instruction	\$ 29,831,524	\$ 83,850	\$ 3,522,370	\$ (26,225,304)
Instruction-Related Services:				
Supervision of Instruction	1,086,175	2,099	232,585	(851,491)
Instructional Library, Media and Technology	629,677	2,280	3,546	(623,851)
School Site Administration	3,994,628	8	47,494	(3,947,126)
Pupil Services:				
Home-To-School Transportation	1,851,773	202,505	1,011,176	(638,092)
Food Services	1,533,759	1,016,992	593,585	76,818
All Other Pupil Services	4,070,373	1,308	560,484	(3,508,581)
General Administration:				
All Other General Administration	3,196,502	37,467	120,136	(3,038,899)
Plant Services	1,622,998	103,653	187,337	(1,332,008)
Ancillary Services	722,695	112,930	149,301	(460,464)
Community Services	20,026		39	(19,987)
Interest on Long-Term Debt	3,282,960			(3,282,960)
Other Outgo	1,630,941	4,651	134,144	(1,492,146)
Depreciation (unallocated)	3,942,311			(3,942,311)
Total Governmental Activities	\$ 57,416,342	\$ 1,567,743	\$ 6,562,197	(49,286,402)
General Revenues:				
Property Taxes Levied For:				
General Purposes				24,944,895
Debt Service				3,657,459
Other Specific Purposes				2,221
Federal and State Aid Not Restricted to Specific Purposes				21,625,770
Interest and Investment Earnings				215,030
Interagency Revenues				1,591,522
Miscellaneous				3,057,479
Total General Revenues				55,094,376
Change in Net Assets				5,807,974
Net Assets Beginning				71,547,487
Net Assets Ending				\$ 77,355,461

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO UNION HIGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Building Fund	County School Facilities Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash (Note 2)	\$ 12,549,548	\$ 15,190,300		\$ 5,504,365	\$ 33,244,213
Investments (Note 2)				2,270,142	2,270,142
Accounts Receivable (Note 4)	8,055,647	13,679		908,181	8,977,507
Due From Other Funds (Note 5)	41,966		\$ 1,660,129	209,726	1,911,821
Stores Inventory (Note 1H)	1,808				1,808
Prepaid Expenditures (Note 1H)	473,217				473,217
Total Assets	<u>\$ 21,122,186</u>	<u>\$ 15,203,979</u>	<u>\$ 1,660,129</u>	<u>\$ 8,892,414</u>	<u>\$ 46,878,708</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Deficit Cash (Note 2)			\$ 1,083,821	\$ 51,594	\$ 1,135,415
Accounts Payable	\$ 889,889	\$ 118,083	3,612	10,732	1,022,316
Deferred Revenue (Note 1H)	1,508,090			35,221	1,543,311
Due to Other Funds (Note 5)	209,726	1,660,129		41,966	1,911,821
Total Liabilities	<u>2,607,705</u>	<u>1,778,212</u>	<u>1,087,433</u>	<u>139,513</u>	<u>5,612,863</u>
Fund Balances (Note 1H):					
Nonspendable	491,690			3,385	495,075
Restricted	1,029,211		572,696	5,644,377	7,246,284
Committed	1,509,256				1,509,256
Assigned	4,074,827	13,425,767		3,105,139	20,605,733
Unassigned	11,409,497				11,409,497
Total Fund Balances	<u>18,514,481</u>	<u>13,425,767</u>	<u>572,696</u>	<u>8,752,901</u>	<u>41,265,845</u>
Total Liabilities and Fund Balances	<u>\$ 21,122,186</u>	<u>\$ 15,203,979</u>	<u>\$ 1,660,129</u>	<u>\$ 8,892,414</u>	<u>\$ 46,878,708</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total fund balance - governmental funds	\$	41,265,845
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Amounts reported for governmental activities in the statement of net assets are different because:

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

Capital assets, at historical cost:	\$	155,326,279	
Accumulated depreciation:		(37,328,663)	
Net:		117,997,616	

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

(1,557,140)

Unamortized premiums: In governmental funds, bond premiums are recognized as revenue in the period they are received. In government-wide statements, premiums are amortized over the life of the debt. Unamortized premiums at year end are:

(330,960)

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

General obligation bonds	\$	59,270,000	
Other post-employment benefits		707,783	
Compensated absences		417,715	
Certificates of participation		19,624,402	
Total		(80,019,900)	

Total net assets - governmental activities	\$	77,355,461
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO UNION HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	Building Fund	County School Facilities Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>					
Revenue Limit Sources					
State Apportionments	\$ 15,626,504			\$ 132,600	\$ 15,759,104
Local Sources	24,253,465			194,995	24,448,460
Total Revenue Limit	39,879,969			327,595	40,207,564
Federal Revenue	2,096,947			598,065	2,695,012
Other State Revenue	7,493,426			129,175	7,622,601
Other Local Revenue	5,473,681	\$ 97,069	\$ 24,922	7,103,811	12,699,483
Total Revenues	54,944,023	97,069	24,922	8,158,646	63,224,660
<u>Expenditures</u>					
Certificated Salaries	25,832,472			315,346	26,147,818
Classified Salaries	8,822,747	53,625		1,016,233	9,892,605
Employee Benefits	9,461,665	5,149		398,611	9,865,425
Books and Supplies	2,064,419	1,850,749	49,598	659,279	4,624,045
Services and Other					
Operating Expenditures	4,428,885	400		359,480	4,788,765
Capital Outlay	106,857	11,771,428	2,270,579	383,468	14,532,332
Debt Service:					
Principal Retirement	80,501			3,680,000	3,760,501
Interest and Fiscal Charges	3,326			2,554,366	2,557,692
Other Outgo	1,577,275			51,616	1,628,891
Total Expenditures	52,378,147	13,681,351	2,320,177	9,418,399	77,798,074
Excess of Revenues Over (Under) Expenditures	2,565,876	(13,584,282)	(2,295,255)	(1,259,753)	(14,573,414)
<u>Other Financing Sources (Uses):</u>					
Operating Transfers In (Note 5)		3,113,112	1,660,129	2,468,750	7,241,991
Operating Transfers Out (Note 5)	(146,768)	(1,660,129)	(519,360)	(4,915,734)	(7,241,991)
Other Sources		17,300,000		210,933	17,510,933
Total Other Financing Sources (Uses)	(146,768)	18,752,983	1,140,769	(2,236,051)	17,510,933
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	2,419,108	5,168,701	(1,154,486)	(3,495,804)	2,937,519
Fund Balances - July 1, 2010 (Restated - Note 16)	16,095,373	8,257,066	1,727,182	12,248,705	38,328,326
Fund Balances - June 30, 2011	\$ 18,514,481	\$ 13,425,767	\$ 572,696	\$ 8,752,901	\$ 41,265,845

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds	\$	2,937,519
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Amounts reported for governmental activities in the statement of activities are different because:

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

Expenditures for capital outlay:	\$	21,578,683
Depreciation expense:		(3,942,311)
Net:		17,636,372

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In 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:

3,760,501

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:

(17,300,000)

Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:

(29,567)

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

(948,208)

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:

(36,809)

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

(223,498)

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

11,664

Total change in net assets - governmental activities	\$	5,807,974
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	<u>Agency Fund</u>
<u>Assets</u>	
Cash (Note 2)	\$ 643,126
Total Assets	<u>\$ 643,126</u>
<u>Liabilities</u>	
Due to Student Groups	\$ 643,126
Total Liabilities	<u>\$ 643,126</u>
<u>Net Assets</u>	
Total Net Assets	<u>\$ 0</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards and agencies that are not legally separate from the District. For El Dorado Union High School District, this includes general operations, food service and student related activities of the District. The District has considered all potential component units in determining how to define the reporting entity, using criteria set forth in accounting principles generally accepted in the United States of America. The District determined the El Dorado Union High School District Public Financing Facilities Corporation (the Corporation) meets the criteria for inclusion within the reporting entity. The Corporation's financial activity is presented in the financial statements as a non-major fund, the Financing Corporation Debt Service Fund. Certificates of Participation issued by the Corporation are included in long-term liabilities in the government-wide financial statements.

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

B. Basis of Presentation

Government-wide Financial Statements:

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

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

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

Government-wide Financial Statements (Concluded):

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

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

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

Fiduciary funds are reported using the economic resources measurement focus and the modified accrual basis of accounting.

C. Basis of Accounting

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

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Revenues - exchange and non-exchange transactions:

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

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

Deferred revenue:

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

Expenses/expenditures:

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

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Expenses/expenditures (Concluded):

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. Expenditures incurred in the unrestricted resources shall be reduced first from the committed resources, then from assigned resources and lastly, the unassigned resources.

D. Fund Accounting

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

MAJOR GOVERNMENTAL FUNDS:

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

NON-MAJOR GOVERNMENTAL FUNDS:

Special Revenue Funds are used to report the proceeds of specific revenue sources that are restricted or committed for purposes other than debt service and capital outlay, and that comprise a substantial portion of the fund's resources. The District maintains three non-major special revenue funds:

1. Shenandoah Charter School Fund was established to account for the Charter School activity.
2. Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Continued)

NON-MAJOR GOVERNMENTAL FUNDS (CONCLUDED):

Special Revenue Funds (Concluded)

3. Cafeteria Fund is used to account separately for federal, state, and local resources received and expenditures authorized by the Board to operate the District's food service program.

Debt Service Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest. The District maintains two non-major debt service funds:

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

Capital Projects Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The District maintains two non-major capital projects funds:

1. Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981.
2. Capital Project Fund for Blended Component Units is used to account for resources received from assessments levied against the Community Facilities District No. 1 formed pursuant to the Mello-Roos Community Facilities Act of 1982.

FIDUCIARY FUNDS:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains student body funds, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. Agency funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

FIDUCIARY FUNDS (CONCLUDED):

Agency Funds (Concluded)

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

E. Budgets and Budgetary Accounting

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

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

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

The District did not adopt budgets for the Financing Corporation - Debt Service Fund in 2010-2011.

F. Encumbrances

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

G. Estimates

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

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity

1. Deposits and Investments

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

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

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

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

2. Stores Inventory and Prepaid Expenditures

Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and are charged as expenditures when used. Reported inventories are equally offset by nonspendable fund balance, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets. The District's central warehouse inventory valuation is First-in-First-out (FIFO).

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

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

3. Capital Assets

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

4. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures. Deferred revenue on the government-wide financial statements includes unamortized bond premium.

5. Compensated Absences

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

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires. At retirement, each classified member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

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.

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

7. Net Assets

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

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

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

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

8. Use of Restricted/Unrestricted Net Assets

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

9. Fund Equity

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned, based primarily on the extent to which the District is bound to honor constraints on how specific amounts are to be spent:

Nonspendable Fund Balance - Includes the portions of fund balance not appropriable for expenditures.

Restricted Fund Balance - Includes amounts subject to externally imposed and legally enforceable constraints.

Committed Fund Balance - Includes amounts subject to District constraints self-imposed by formal action of the District Governing Board.

Assigned Fund Balance - Includes amounts the District intends to use for a specific purpose. Assignments may be established by the District Governing Board, or the Chief Business Official of the District.

Unassigned Fund Balance - Includes the residual balance that has not been assigned to other funds and is not restricted, committed, or assigned to specific purposes.

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

9. Fund Equity (Continued)

Fund Balances

The District's fund balances at June 30, 2011 consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	Other Governmental Funds	Total
Nonspendable:					
Revolving Fund	\$ 16,665			\$ 3,385	\$ 20,050
Stores Inventory	1,808				1,808
Prepaid Expenditures	473,217				473,217
Total Nonspendable Fund Balance	491,690			3,385	495,075
Restricted For:					
Unspent ARRA: SFSF Funds	12,520				12,520
Unspent Federal Jobs Fund	93				93
Unspent Medi-Cal Funds	302,601				302,601
Unallocated Prop 20 Lottery	241,623				241,623
Unspent EIA Funds	96,095				96,095
Unspent Local Donations	169,765				169,765
Microsoft Voucher Reimbursement	206,514				206,514
Debt Service Payments				5,408,456	5,408,456
Purposes Specified in Govt Code Section 65970- 65981 and/or 66006			\$ 572,696	235,921	808,617
Total Restricted Fund Balance	1,029,211		572,696	5,644,377	7,246,284
Committed For:					
Postemployment Benefits	685,568				685,568
Deferred Maintenance Projects	823,688				823,688
Total Committed Fund Balance	1,509,256		0	0	1,509,256
Assigned For:					
Reserve for Mid-Year Cuts	2,417,000				2,417,000
Academic Recovery	250,000				250,000
Professional Development	125,000				125,000
Districtwide Infrastructure	50,000				50,000
Unspent Site & Department Funds	311,691				311,691
MAA Funds Set Aside	409,746				409,746
Unspent Lottery Funds	511,390				511,390
Unallocated Prop 20 Lottery				5,610	5,610
Unspent Local Donations				14,296	14,296
Purpose of Fund				628,325	628,325
Future Budget Uncertainties				134,425	134,425
Pay for Construction Costs Authorized by Voters in GOB		\$ 13,425,767			13,425,767
Capital Projects for Blended Component Units				2,322,483	2,322,483
Total Assigned Fund Balance	4,074,827	13,425,767	0	3,105,139	20,605,733
Unassigned:					
Reserve for Economic Uncertainties	1,583,500				1,583,500
Other Unassigned	9,825,997				9,825,997
Total Unassigned Fund Balance	11,409,497	0	0	0	11,409,497
Total Fund Balances	\$ 18,514,481	\$ 13,425,767	\$ 572,696	\$ 8,752,901	\$ 41,265,845

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

9. Fund Equity (Concluded)

Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain unrestricted fund balance in its General Fund sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature.

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels because of temporary revenue shortfalls or unpredicted one-time expenditures.

The District has adopted a policy to achieve and maintain unrestricted fund balance in the General Fund of 3% of total General Fund expenditures, other uses and transfers out at the close of each fiscal year, consistent with the recommended level promulgated by the State of California.

Additional detailed information, along with the complete *Fund Balance Policy* can be obtained from the District.

10. Revenue Limit/Property Tax

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

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

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

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

H. Assets, Liabilities and Equity (Concluded)

10. Revenue Limit/Property Tax (Concluded)

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

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

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

I. New GASB Accounting Standard Adoption

In March, 2009 the Governmental Accounting Standards Board (GASB) issued GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions in an effort to improve the consistency in reporting fund balance components, enhance fund balance presentation, improve the usefulness of fund balance information, and clarify the definitions of the governmental fund types. The classification requirements in GASB 54 improve financial reporting by providing fund balance categories and classifications that are more easily understood. The requirements of GASB 54 are effective for financial statements for period beginning after June 15, 2010 making the new standard effective for the year ending June 30, 2011.

NOTE 2 - CASH AND INVESTMENTS

A. Cash and Investments

The District had the following cash and investments at June 30, 2011

	Fair Value	Carrying Amount	Credit Quality Rating
<u>Cash</u>			
Cash on Hand and in Bank	\$ 643,126	\$ 643,126	Not Rated
Cash in Revolving Fund	20,050	20,050	Not Rated
Cash with Fiscal Agent	1,207,133	1,207,133	Not Rated
Cash in County Treasury (net of \$1,135,415 deficit cash)	20,911,301	20,881,615	Not Rated
Local Agency Investment Fund (LAIF)	10,015,765	10,000,000	
Total Cash	<u>\$ 32,797,375</u>	<u>\$ 32,751,924</u>	

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

A. Cash and Investments (Concluded)

	<u>Fair Value</u>	<u>Carrying Amount</u>
<u>Investments</u>		
Wells Fargo Government- Money Market Service #743	\$ 806,140	\$ 806,140
MBIA Inc. #1317, IA 4.853%	<u>1,464,002</u>	<u>1,464,002</u>
Total Investments	<u>2,270,142</u>	<u>2,270,142</u>
Total Cash and Investments	<u>\$ 35,067,517</u>	<u>\$ 35,022,066</u>

The following is a summary of cash and investments at June 30, 2011:

<u>Governmental Activities</u>	<u>Fiduciary Funds Statement of Net Assets</u>	<u>Total</u>
<u>\$34,378,940</u>	<u>\$643,126</u>	<u>\$35,022,066</u>

B. Cash

Cash in Banks and in Revolving Fund

Cash balances in banks and revolving funds are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). These amounts are held within various financial institutions. As of June 30, 2011 the carrying amount of the District's accounts was \$663,176, all of which was insured.

Cash with Fiscal Agent

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

Cash in County Treasury

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash with the County Treasury as part of the common investment pool, which totaled \$20,881,615 (net of deficit cash of \$51,594, in the Adult Education Fund and \$1,083,821 in the County School Facilities Fund as of June 30, 2011). The fair market value of this pool as of that date, as provided by the pool sponsor, was \$20,911,301. The District is considered to be an involuntary participant in the external investment pool. Interest is deposited into participating funds.

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 2 - CASH AND INVESTMENTS (CONCLUDED)

B. Cash (Concluded)

Cash in County Treasury (Concluded)

The county is restricted by *Government Code* Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasury's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

C. Investments

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

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

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

D. Risk Disclosures

At June 30, 2011 the District had the following investment maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		
		<u>Less than 1</u>	<u>1 to 2</u>	<u>3 or more</u>
County Treasury	\$ 20,911,301	\$ 18,663,336	\$ 1,752,367	\$ 495,598
Local Agency Investment Fund (LAIF)	10,015,765	10,015,765		
Wells Fargo Advantage Government-Money Market Service #743	806,140	806,140		
MBIA Inc. #1317, IA 4.853%	1,464,002			1,464,002
Total	<u>\$ 33,197,208</u>	<u>\$ 29,485,241</u>	<u>\$ 1,752,367</u>	<u>\$ 1,959,600</u>

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

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2011, there were no excess of expenditures over appropriations in any fund.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2011 consist of the following:

	General Fund	Building Fund	Other Governmental Funds	Total
Federal Government				
Categorical Aid Programs	\$ 426,776		\$ 22,790	\$ 449,566
State Government				
Revenue Limit	4,576,543		1,271	4,577,814
Categorical Aid Programs			41,215	41,215
Lottery	403,072		618	403,690
Other	2,159,541			2,159,541
Total State Government	7,139,156		43,104	7,182,260
Local Government	427,570		815,680	1,243,250
Interest		\$ 13,679	529	14,208
Miscellaneous	62,145		26,078	88,223
Total Accounts Receivable	\$ 8,055,647	\$ 13,679	\$ 908,181	\$ 8,977,507

NOTE 5 - INTERFUND TRANSACTIONS

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

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 5 - INTERFUND TRANSACTIONS (CONCLUDED)

Interfund Receivables/Payables (Due From/Due To)

Individual fund interfund receivable and payable balances at June 30, 2011 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds:		
General Fund	\$ 41,966	\$ 209,726
Building Fund		1,660,129
County School Facilities Fund	1,660,129	
Non-Major Governmental Funds:		
Shenandoah Charter School Fund	197,467	
Adult Education Fund	12,259	
Cafeteria Fund		35,966
Capital Facilities Fund		6,000
Total	<u>\$ 1,911,821</u>	<u>\$ 1,911,821</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for the 2010-2011 fiscal year were as follows:

Transfer from General Fund to the Adult Education Fund for funding contribution.	\$ 146,768
Transfer from the County School Facilities to the Building Fund to return the excess funding.	97,478
Transfer from the Capital Project Fund for Blended Component Units to the Building Fund for funding contribution.	3,015,634
Transfer from the County School Facilities Fund to the Capital Projects Fund for Blended Component Units to return the excess funding.	421,882
Transfer from the Building Fund to the County School Facilities Fund to the Districts funding contribution.	1,660,129
Transfer from the Capital Projects Fund for Blended Component Units to the Financing Corporation - Debt Service Fund to make current year payments on certificates of participation.	<u>1,900,100</u>
Total	<u>\$7,241,991</u>

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2011 is shown below:

	Balance July 01, 2010	Additions	Deductions	Balance June 30, 2011
Capital assets, not being depreciated:				
Land	\$ 3,518,854			\$ 3,518,854
Work in progress	8,049,536	\$ 19,519,977	\$ 15,199,041	12,370,472
Total capital assets, not being depreciated	11,568,390	19,519,977	15,199,041	15,889,326
Capital assets being depreciated:				
Buildings	98,358,351	15,726,006		114,084,357
Improvements of sites	16,922,001	30,713		16,952,714
Equipment	6,997,984	1,501,028	99,130	8,399,882
Total capital assets, being depreciated	122,278,336	17,257,747	99,130	139,436,953
Less accumulated depreciation for:				
Buildings	25,013,105	2,493,991		27,507,096
Improvements of sites	3,841,350	751,512		4,592,862
Equipment	4,601,460	696,808	69,563	5,228,705
Total accumulated depreciation	33,455,915	3,942,311	69,563	37,328,663
Total capital assets, being depreciated, net	88,822,421	13,315,436	29,567	102,108,290
Governmental activities capital assets, net	<u>\$ 100,390,811</u>	<u>\$ 32,835,413</u>	<u>\$ 15,228,608</u>	<u>\$ 117,997,616</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:

Unallocated \$3,942,311

NOTE 7 - GENERAL OBLIGATION BONDS

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

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 7 - GENERAL OBLIGATION BONDS (CONTINUED)

On September 11, 2008, the District issued General Obligation Bonds Election of 2008, Series 2008, in the aggregate amount of \$34,000,000 with interest rates ranging from 4.75% to 8.00%. The General Obligation Bond, Series 2008 were authorized at an election of registered voters of the District held on June 3, 2008 at which 56.2% of the persons voting on "Measure Q" voted to authorize the issuance of \$66,300,000 principal amount of general obligation bonds of the District. The bonds were issued to finance the repair, update, construction, furnishing and equipping of every school to improve students' safety and quality of education.

On July 21, 2010, the District issued General Obligation Bonds Election of 2008, Series 2010, in the aggregate amount of \$17,300,000 with interest rates ranging from 2.0% to 4.5%. The General Obligation Bond, Election of 2008, Series 2010 were authorized at an election of registered voters of the District held on June 3, 2008 at which 56.2% of the persons voting on "Measure Q" voted to authorize the issuance of \$66,300,000 principal amount of general obligation bonds of the District. The bonds were issued to finance the repair, update, construction, furnishing and equipping of every school to improve students' safety and quality of education.

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

The outstanding general obligation bonded debt at June 30, 2011 is:

Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2010	Additions	Redeemed Current Year	Outstanding June 30, 2011
2008 (Refunding)	3.25-4.25	2024	\$ 12,340,000	\$ 11,670,000		\$ 690,000	\$ 10,980,000
2008	4.75-8.00	2034	34,000,000	32,460,000		1,470,000	30,990,000
2010			17,300,000		\$ 17,300,000		17,300,000
Totals			<u>\$ 63,640,000</u>	<u>\$ 44,130,000</u>	<u>\$ 17,300,000</u>	<u>\$ 2,160,000</u>	<u>\$ 59,270,000</u>

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 7 - GENERAL OBLIGATION BONDS (CONCLUDED)

The annual requirements to amortize the general obligation bonds payable, outstanding as of June 30, 2011 are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,405,000	\$ 3,008,706	\$ 4,413,706
2013	1,145,000	2,597,351	3,742,351
2014	1,025,000	2,557,545	3,582,545
2015	1,125,000	2,509,720	3,634,720
2016	1,250,000	2,456,545	3,706,545
2017-2021	8,230,000	11,347,500	19,577,500
2022-2026	10,185,000	9,214,131	19,399,131
2027-2031	13,725,000	6,783,920	20,508,920
2032-2036	21,180,000	2,727,761	23,907,761
Totals	<u>\$ 59,270,000</u>	<u>\$ 43,203,179</u>	<u>\$ 102,473,179</u>

NOTE 8 - CERTIFICATES OF PARTICIPATION

In November 2009, the El Dorado Union High School District Financing Corporation issued certificates of participation in the amount of \$9,004,154 (\$2,475,000 of current interest certificates and \$6,529,154 of capital appreciation certificates) with interest rates ranging from 3.5% to 7.625%. The certificates of participation were issued to refinance Series 1999 and 2001 certificates and payoff a 2002 capital lease.

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

The outstanding certificates of participation at June 30, 2011 are as follows:

<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Outstanding July 1, 2010</u>	<u>Current Year Accreted Interest</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2011</u>
2006	2016	\$ 14,295,000	\$ 11,405,000		\$ 1,520,000	\$ 9,885,000
2009	2040	2,475,000	2,475,000			2,475,000
2009	2037	6,529,154	6,867,515	\$ 396,887		7,264,402
Totals		<u>\$ 23,299,154</u>	<u>\$ 20,747,515</u>	<u>\$ 396,887</u>	<u>\$ 1,520,000</u>	<u>\$ 19,624,402</u>

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 8 - CERTIFICATES OF PARTICIPATION (CONTINUED)

A. Current Interest Certificates of Participation

The annual requirements to amortize the 2006 and 2009 current interest certificates of participation are as follows:

Year Ended June 30	Principal	Interest	Total
2012	\$ 1,570,000	\$ 523,212	\$ 2,093,212
2013	1,625,000	468,263	2,093,263
2014	1,690,000	395,137	2,085,137
2015	1,750,000	333,875	2,083,875
2016	3,250,000	268,250	3,518,250
2017-2021	0	711,563	711,563
2022-2026	0	711,562	711,562
2027-2031	0	711,563	711,563
2032-2036	0	711,562	711,562
2037-2040	2,475,000	330,769	2,805,769
Totals	<u>\$ 12,360,000</u>	<u>\$ 5,165,756</u>	<u>\$ 17,525,756</u>

B. Capital Appreciation Certificates of Participation

The outstanding debt for capital appreciation Series 2009 certificates of participation at June 30, 2011 is as follows:

Interest Rate %	Maturity Date (Dec. 1)	Amount of Original Issue (Principal)	Accumulated Accreted Interest	Outstanding June 30, 2011
3.50	2013	\$ 574,913	\$ 41,485	\$ 616,398
4.00	2014	541,906	45,335	587,241
4.375	2015	509,546	46,915	556,461
4.75	2016	475,642	47,720	523,362
5.125	2017	440,768	47,817	488,585
5.5 - 6.375	2018-2022	1,733,371	215,623	1,948,994
6.5 - 7.0	2023-2027	1,148,123	153,773	1,301,896
7.1 - 7.45	2028-2032	739,445	96,801	836,246
7.5 - 7.625	2033-2036	365,440	39,779	405,219
Totals		<u>\$ 6,529,154</u>	<u>\$ 735,248</u>	<u>\$ 7,264,402</u>

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 8 - CERTIFICATES OF PARTICIPATION (CONCLUDED)

Annual requirements to amortize the Series 2009 capital appreciation certificates of participation payable, outstanding as of June 30, 2011, are as follows:

Year Ended June 30	Principal	Interest	Total
2012	\$ 0	\$ 0	\$ 0
2013	0	0	0
2014	574,913	85,087	660,000
2015	541,906	118,094	660,000
2016	509,546	150,454	660,000
2017-2021	2,041,684	1,258,316	3,300,000
2022-2026	1,355,165	1,944,835	3,300,000
2027-2031	883,938	2,416,062	3,300,000
2032-2036	568,214	2,731,786	3,300,000
2037	53,788	351,212	405,000
Totals	<u>\$ 6,529,154</u>	<u>\$ 9,055,846</u>	<u>\$ 15,585,000</u>

NOTE 9 - LEASE OBLIGATIONS

A. Capital Lease Obligations

The District leases equipment and portable buildings under agreements, which provide for title to pass upon expiration of the lease period. The District paid the final lease payment of \$175,022 in 2010-2011.

B. Operating Leases

The District has entered into various operating leases for portables and building space with lease terms in excess of one year. None of these agreements contain purchase options. All the agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors but it is unlikely that the District will cancel any of the agreements prior to the expiration date. It is expected that in the normal course of business most of these leases will be replaced by similar leases.

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

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS

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

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

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

Management Staff members who retired prior to October 1, 2005, who had at least 10 years with the district, and had reached age 50, received an annual cash payment of \$7,615 until they are age 65. In addition they may work 20 days a year for 5 years at the pay rate of the retired position. Members who had at least 10 years with the district and had reached age 50 and who retire after October 1, 2005, will be eligible for one-time payments ranging from \$10,000 to \$30,000 depending on their length of their service. There will be no continued annual payments to them or guaranteed days of work. All management members will be eligible to receive the minimum allowed retiree payments to PERS toward health benefits for as long as they purchase health insurance through PERS. The current minimum contribution is \$14.55 per month.

Funding Policy

Employees are not required to contribute to the plan. In order to fully fund the plan, the District would be required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

Annual required contribution	\$ 777,257
Interest on net OPEB obligation	24,214
Adjustment to annual required contribution	<u>(22,094)</u>
Annual OPEB cost (expense)	779,377
Contributions made	<u>(555,879)</u>
Increase in net OPEB obligation	223,498
Net OPEB obligation - beginning of year	<u>484,285</u>
Net OPEB obligation - end of year	<u>\$ 707,783</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2011 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$779,377	71.3%	\$707,783
June 30, 2010	\$768,929	55.4%	\$484,285
June 30, 2009	\$677,000	79.0%	\$141,000

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (CONCLUDED)

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$6.5 million, all of which is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$38.2 million, and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 17.09 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The funded status of the plan as of June 30, 2011 was as follows:

Actuarial accrued liability (AAL)	\$ 6,535,349
Actuarial value of plan assets	0
Unfunded actuarial accrued liability (UAAL)	<u>\$ 6,535,349</u>
Funded ratio (actuarial value of plan assets/AAL)	0.00%

Actuarial Methods and Assumptions

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

In the July 1, 2009, actuarial valuation, the unit credit cost method was used. The actuarial assumptions included a 5.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 11% initially. An inflation rate of 3% was used. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011, was twenty-eight years.

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 11 - LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2011 is shown below.

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Due Within One Year
General Obligation Bonds	\$ 44,130,000	\$ 17,300,000	\$ 2,160,000	\$ 59,270,000	\$ 1,405,000
Certificates of Participation	20,747,515	396,887	1,520,000	19,624,402	1,570,000
Capital Lease Obligations	80,501		80,501		
Other Post-employment Benefits	484,285	801,471	577,973	707,783	
Compensated Absences	380,906	36,809		417,715	417,715
Totals	<u>\$ 65,823,207</u>	<u>\$ 18,535,167</u>	<u>\$ 4,338,474</u>	<u>\$ 80,019,900</u>	<u>\$ 3,392,715</u>

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

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

A. State Teachers' Retirement System (STRS)

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

Funding Policy. Active plan members are required to contribute 8.0% of their salary and the El Dorado Union High School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2010-2011 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The El Dorado Union High School District's contributions to STRS for the fiscal year ending June 30, 2011, 2010, and 2009 were \$2,115,256, \$2,366,832 and \$2,395,268, respectively, and equal 100% of the required contributions for each year.

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

B. California Public Employees Retirement System (CalPERS)

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

Funding Policy. Active plan members are required to contribute 7.0% of their salary and the El Dorado Union High School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2010-2011 was 10.707% of annual payroll. The contribution requirements of the plan members are established by State statute. The El Dorado Union High School District's contributions to CalPERS for the fiscal year ending June 30, 2011, 2010 and 2009 were \$973,834, \$916,181 and \$901,417, respectively and equal 100% of the required contributions for each year.

C. Social Security

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

D. On Behalf Payment

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS and contributions to PERS for the year ended June 30, 2011. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local education agencies not to record these amounts in the Annual Financial and Budget Report. These amounts also have not been recorded in these financial statements.

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 13 - STUDENT BODY FUNDS

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

NOTE 14 - COMMITMENTS AND CONTINGENCIES

A. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2011.

B. State and Federal Allowances, Awards and Grants

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

C. Joint Ventures

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

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

NOTE 15 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2011, the District contracted with Schools Insurance Authority (SIA) Insurance Company for property and liability insurance coverage and for theft insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant change in coverage from the prior year.

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 15 - RISK MANAGEMENT (CONCLUDED)

B. Workers' Compensation

For fiscal year 2011, the District participated in the Schools Insurance Authority (SIA), an insurance purchasing pool. The intent of the SIA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SIA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the SIA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the SIA. Participation in the SIA is limited to districts that can meet the SIA selection criteria.

NOTE 16 - RESTATEMENT OF FUND BALANCES

As described in Note 11, the District adopted Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. The District separately reports activity in Special Revenue Funds. GASB Statement 54 clarifies this fund type is used only to report the proceeds of specific revenue sources that are restricted or committed. The Deferred Maintenance Fund and Special Reserve Fund for Postemployment Benefits do not meet the criteria of a Special Revenue Fund under GASB 54 and are reported in the General Fund. The effect of this change in reporting is a restatement of beginning fund balances as follows:

	General Fund	Deferred Maintenance Fund	Special Reserve Fund for Other Postemployment Benefits
Fund Balances, June 30, 2010, as originally reported	\$ 14,843,028	\$ 568,737	\$ 683,608
Report activity in the General Fund previously accounted for separately in a Special Revenue Fund	1,252,345	(568,737)	(683,608)
Fund Balances, June 30, 2010, as restated	<u>\$ 16,095,373</u>	<u>\$ 0</u>	<u>\$ 0</u>

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 17 - SUBSEQUENT EVENT

Management has evaluated subsequent events through December 9, 2011, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

EL DORADO UNION HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Revenue Limit Sources:				
State Apportionments	\$ 11,768,876	\$ 15,626,504	\$ 15,626,504	
Local Sources	26,066,429	24,253,465	24,253,465	
Total Revenue Limit	37,835,305	39,879,969	39,879,969	
Federal Revenue	1,675,317	2,096,947	2,096,947	
Other State Revenue	6,834,306	7,493,426	7,493,426	
Other Local Revenue	3,940,561	5,473,681	5,473,681	
Total Revenues	50,285,489	54,944,023	54,944,023	
<u>Expenditures</u>				
Certificated Salaries	26,708,688	25,832,472	25,832,472	
Classified Salaries	8,401,420	8,823,438	8,822,747	\$ 691
Employee Benefits	9,820,722	9,461,747	9,461,665	82
Books and Supplies	3,049,619	2,064,430	2,064,419	11
Services and Other				
Operating Expenditures	4,598,907	4,428,889	4,428,885	4
Capital Outlay	342,500	106,857	106,857	
Debt Service:				
Principal Retirement	80,502	80,501	80,501	
Interest and Fiscal Charges	3,771	3,326	3,326	
Other Outgo	1,701,115	1,577,275	1,577,275	
Total Expenditures	54,707,244	52,378,935	52,378,147	788
Excess of Revenues Over (Under) Expenditures	(4,421,755)	2,565,088	2,565,876	788
Other Financing Sources (Uses):				
Operating Transfers Out	(145,008)	(146,768)	(146,768)	
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(4,566,763)	2,418,320	2,419,108	788
Fund Balances - July 1, 2010 (Restated - Note 16)	11,871,805	16,095,373	16,095,373	0
Fund Balances - June 30, 2011	\$ 7,305,042	\$ 18,513,693	\$ 18,514,481	\$ 788

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SUPPLEMENTARY INFORMATION SECTION

EL DORADO UNION HIGH SCHOOL DISTRICT

PLACERVILLE, CALIFORNIA

JUNE 30, 2011

ORGANIZATION

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

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Timothy M. Cary	President	December 2014
Lori M. Veerkamp	Clerk	December 2012
Kevin Brown	Member	December 2014
Mary T. Muse	Member	December 2012
Todd White	Member	December 2014

ADMINISTRATION

Christopher R. Hoffman
Superintendent
Executive Secretary to the Board

Christopher Moore
Assistant Superintendent, Educational Services

Stephanie Clark
Assistant Superintendent, Human Resources

Baldev Johal
Associate Superintendent, Business Services

Steve Volmer
Assistant Superintendent, Student Services

EL DORADO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Second Period Report</u>			<u>Annual Report</u>		
	<u>District</u>	<u>Charter</u>	<u>Total</u>	<u>District</u>	<u>Charter</u>	<u>Total</u>
<u>Secondary</u>						
Regular Classes	6,171	53	6,224	6,137	54	6,191
Continuation Education	209	-	209	207	-	207
Home and Hospital	14	-	14	16	-	16
Special Education	102	-	102	102	-	102
Community Day School	13	-	13	12	-	12
Extended Year	2	-	2	1	-	1
<u>Classes for Adults:</u>						
Adults in Correctional Facilities	<u>45</u>	<u>—</u>	<u>45</u>	<u>40</u>	<u>-</u>	<u>40</u>
Totals	<u>6,556</u>	<u>53</u>	<u>6,609</u>	<u>6,515</u>	<u>54</u>	<u>6,569</u>

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

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

EL DORADO UNION HIGH SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Grade Level</u>	<u>1986-1987 Minutes Requirement</u>	<u>1982-1983 Actual Minutes</u>	<u>2010-2011 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Grade 9	64,800	60,375	65,080	180	In Compliance
Grade 10	64,800	60,375	65,080	180	In Compliance
Grade 11	64,800	60,375	65,080	180	In Compliance
Grade 12	64,800	60,375	65,080	180	In Compliance

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

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

EL DORADO UNION HIGH SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

SEE NOTES TO SUPPLEMENTARY INFORMATION

EL DORADO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDED JUNE 30, 2011

Program Name:	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
US Department of Agriculture:			
Passed Through California			
Department of Education (CDE):			
National School Lunch *	10.555	13391	\$ 383,430
Basic School Breakfast	10.553	13390	51,900
Especially Needy Breakfast	10.553	13526	107,961
Direct Program:			
Forest Reserve	10.665	10044	253,694
Total US Department of Agriculture			<u>796,985</u>
US Department of Education:			
Passed Through CDE:			
NCLB: Advanced Placement (AP) Test Fee	84.33	14333	4,886
NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	462,347
NCLB: ARRA Title I, Part A, Basic Grants Low-Income and Neglected	84.389	15005	4,053
ARRA: State Fiscal Stabilization Fund	84.394	25008	1,699,303
Special Education: Basic Local Assistance Entitlement	84.027	13379	800,383
Special Education: ARRA IDEA, Part B, Basic Local Assistance	84.391	15003	3,893
Vocational Programs: VOC & Applied Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	13924	96,260
NCLB: Title IV, Safe & Drug Free Schools and Communities	84.186	14347	1,072
Adult Education: Adult Basic Education & ESL	84.002A	14005	16,501
Adult Education: Adult Secondary Education	84.002	13978	13,659
Adult Education: Institutionalized Adults	84.002	13971	15,303
NCLB: Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	76,541
NCLB: Title II, Part D, Enhancing Education Through Technology	84.318	14334	994
NCLB: Title II, Part A, Administrator Training	84.367	14344	7,920
NCLB: Title X, McKinney-Vento Homeless Assistance	84.196	14332	10,792
NCLB: Title III, Immigrant Education Program	84.365	14346	4,741
NCLB: ARRA Title II, Part D, Enhancing Education Through Technology	84.386	15019	5,097
NCLB: Title III, LEP	84.365	10084	5,400
Total US Department of Education			<u>3,229,145</u>
Total Federal Programs			<u>\$ 4,026,130</u>

* Does not include commodities received. The fair market value of the commodities was \$76,717.

SEE NOTES TO SUPPLEMENTARY INFORMATION

EL DORADO UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUALS
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	Deferred Maintenance Fund	Special Reserve Fund for Other Postemployment Benefits	Capital Projects Fund for Blended Component Units
June 30, 2011, Annual Unaudited Actual Financial Report Fund Balance	\$ 17,005,225	\$ 823,688	\$ 685,568	\$ 2,521,085
Adjustments and Reclassifications Increasing (Decreasing) the Fund Balance:				
Overstatement of Cash with Fiscal Agent				(25,597)
Overstatement of Accounts Receivable				(173,005)
To conform with GAAP, activity reported separately by the District in certain Special Revenue Funds is reported in the General Fund in these financial statements.	1,509,256	(823,688)	(685,568)	
Net Adjustments and Reclassifications	1,509,256	(823,688)	(685,568)	(198,602)
June 30, 2011, Audited Financial Statement Fund Balance	\$ 18,514,481	\$ 0	\$ 0	\$ 2,322,483

Auditor's Comments

The audited financial statements of all other funds were in agreement with the Unaudited Actual Financial Report for the year ended June 30, 2011.

EL DORADO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget 2011-2012	2010-2011	Restated	
			2009-2010	2008-2009
<u>General Fund</u>				
Revenues and Other Financial Sources	\$ 54,837,614	\$ 54,944,023	\$ 56,644,683	\$ 60,614,306
Expenditures	56,405,075	52,378,147	54,874,305	57,299,954
Other Uses and Transfers Out	166,032	146,768	224,348	15,246
Total Outgo	56,571,107	52,524,915	55,098,653	57,315,200
Change in Fund Balance (Deficit)	(1,733,493)	2,419,108	1,546,030	3,299,106
Ending Fund Balance	\$ 17,046,972	\$ 18,514,481	\$ 16,095,373	\$ 14,549,343
Available Reserves	\$ 11,767,505	\$ 11,409,497	\$ 10,177,287	\$ 8,036,287
Reserve for Economic Uncertainties	\$ 1,672,000	\$ 1,583,500	\$ 1,800,000	\$ 1,805,000
Unassigned Fund Balance	\$ 10,095,505	\$ 9,825,997	\$ 8,377,287	\$ 6,231,287
Available Reserves as a Percentage of Total Outgo	20.8%	21.7%	18.5%	14.0%
Total Long-Term Debt	\$ 76,627,185	\$ 80,019,900	\$ 65,823,207	\$ 68,277,188
Average Daily Attendance at P-2 (Exclusive of Adult, ROP & Charter School ADA)	6,567	6,556	6,561	6,744

The General Fund Balance has increased by \$7,264,244 over the past three years. For a District this size the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out and other uses (total outgo). Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainty contained within the General Fund.

Long-term debt has increased by \$11,742,712 million during the past two years due to the sale of general obligation bonds in 2010-2011.

Average Daily Attendance (ADA) has decreased by 188 during the past two years.

As described in Note 1I, the District implemented GASB 54 during 2010-2011. To make the amounts presented for 2009-2010 and 2008-2009 comparable, the District has retroactively implemented GASB 54 by restating the amounts presented for 2009-2010 and 2008-2009.

The amounts reported as Budget 2011-2012 are presented for additional analysis and have not been audited.

SEE NOTES TO SUPPLEMENTARY INFORMATION

EL DORADO UNION HIGH SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
JUNE 30, 2011

	Shenandoah Charter School Fund	Adult Education Fund	Cafeteria Fund	Bond Interest and Redemption Fund
<u>Assets</u>				
Cash	\$ 78,464		\$ 538,750	\$ 3,138,314
Investments				
Accounts Receivable	25,869	\$ 65,924	194	
Due From Other Funds	197,467	12,259		
	<u>301,800</u>	<u>78,183</u>	<u>538,944</u>	<u>3,138,314</u>
Total Assets	<u>\$ 301,800</u>	<u>\$ 78,183</u>	<u>\$ 538,944</u>	<u>\$ 3,138,314</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Deficit Cash		\$ 51,594		
Accounts Payable	\$ 1,393	8,520	\$ 192	
Deferred Revenue	18,827	16,394		
Due to Other Funds			35,966	
	<u>20,220</u>	<u>76,508</u>	<u>36,158</u>	
Total Liabilities	<u>20,220</u>	<u>76,508</u>	<u>36,158</u>	
Fund Balances:				
Nonspendable			3,385	
Restricted				\$ 3,138,314
Assigned	281,580	1,675	499,401	
	<u>281,580</u>	<u>1,675</u>	<u>502,786</u>	<u>3,138,314</u>
Total Fund Balances	<u>281,580</u>	<u>1,675</u>	<u>502,786</u>	<u>3,138,314</u>
Total Liabilities and Fund Balances	<u>\$ 301,800</u>	<u>\$ 78,183</u>	<u>\$ 538,944</u>	<u>\$ 3,138,314</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

Financing Corporation - Debt Service Fund	Capital Facilities Fund	Capital Project Fund for Blended Component Units	Total Non- Major Governmental Funds
\$ 2,270,142	\$ 242,548	\$ 1,506,289	\$ 5,504,365
		816,194	2,270,142
			908,181
			209,726
<u>\$ 2,270,142</u>	<u>\$ 242,548</u>	<u>\$ 2,322,483</u>	<u>\$ 8,892,414</u>
	\$ 627		\$ 51,594
	6,000		10,732
	6,627		35,221
			41,966
			139,513
\$ 2,270,142	235,921	\$ 2,322,483	3,385
			5,644,377
			3,105,139
<u>2,270,142</u>	<u>235,921</u>	<u>2,322,483</u>	<u>8,752,901</u>
<u>\$ 2,270,142</u>	<u>\$ 242,548</u>	<u>\$ 2,322,483</u>	<u>\$ 8,892,414</u>

EL DORADO UNION HIGH SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Shenandoah Charter School Fund	Adult Education Fund	Cafeteria Fund	Bond Interest and Redemption Fund
<u>Revenues</u>				
Revenue Limit Sources:				
State Apportionments	\$ 132,600			
Local Sources	194,995			
Total Revenue Limit	327,595			
Federal Revenue	9,311	\$ 45,463	\$ 543,291	
Other State Revenue	32,924	48,896	47,355	
Other Local Revenue	35,930	57,747	1,076,248	\$ 3,842,604
Total Revenues	405,760	152,106	1,666,894	3,842,604
<u>Expenditures</u>				
Certificated Salaries	187,652	127,694		
Classified Salaries	92,892	68,132	615,659	
Employee Benefits	92,330	59,041	162,671	
Books and Supplies	13,755	15,069	629,601	
Services and Other Operating Expenditures	112,210	31,991	133,066	
Capital Outlay				
Debt Service:				
Principal Retirement				2,160,000
Interest and Fiscal Charges		344		1,953,462
Other Outgo	263	4,960	46,393	
Total Expenditures	499,102	307,231	1,587,390	4,113,462
Excess of Revenues Over (Under) Expenditures	(93,342)	(155,125)	79,504	(270,858)
Other Financing Sources (Uses):				
Operating Transfers In		146,768		
Operating Transfers Out				
Other Sources				210,933
Total Other Financing Sources (Uses)	0	146,768	0	210,933
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(93,342)	(8,357)	79,504	(59,925)
Fund Balances - July 1, 2010	374,922	10,032	423,282	3,198,239
Fund Balances - June 30, 2011	\$ 281,580	\$ 1,675	\$ 502,786	\$ 3,138,314

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

Financing Corporation - Debt Service Fund	Capital Facilities Fund	Capital Project Fund for Blended Component Units	Total Non- Major Governmental Funds
			\$ 132,600
			194,995
			327,595
			598,065
			129,175
\$ 78,143	\$ 299,670	\$ 1,713,469	7,103,811
78,143	299,670	1,713,469	8,158,646
			315,346
	239,550		1,016,233
	84,569		398,611
	854		659,279
	44,065	38,148	359,480
	36,268	347,200	383,468
1,520,000			3,680,000
591,613	8,947		2,554,366
			51,616
2,111,613	414,253	385,348	9,418,399
(2,033,470)	(114,583)	1,328,121	(1,259,753)
1,900,100		421,882	2,468,750
		(4,915,734)	(4,915,734)
			210,933
1,900,100	0	(4,493,852)	(2,236,051)
(133,370)	(114,583)	(3,165,731)	(3,495,804)
2,403,512	350,504	5,488,214	12,248,705
\$ 2,270,142	\$ 235,921	\$ 2,322,483	\$ 8,752,901

EL DORADO UNION HIGH SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGECNY FUNDS - STUDENT BODY
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Beginning Balance	Additions	Deductions	Ending Balance
<u>UNION MINE HIGH SCHOOL</u>				
<u>STUDENT ACTIVITIES</u>				
<u>ASSETS</u>				
Cash	\$ 82,770	\$ 307,976	\$ 306,512	\$ 84,234
<u>LIABILITIES</u>				
Due to Student Groups	\$ 82,770	\$ 307,976	\$ 306,512	\$ 84,234
<u>EL DORADO HIGH SCHOOL</u>				
<u>STUDENT ACTIVITIES</u>				
<u>ASSETS</u>				
Cash	\$ 76,350	\$ 221,611	\$ 227,452	\$ 70,509
<u>LIABILITIES</u>				
Due to Student Groups	\$ 76,350	\$ 221,611	\$ 227,452	\$ 70,509
<u>PONDEROSA HIGH SCHOOL</u>				
<u>STUDENT BODY</u>				
<u>ASSETS</u>				
Cash	\$ 255,423	\$ 495,983	\$ 534,601	\$ 216,805
<u>LIABILITIES</u>				
Due to Student Groups	\$ 255,423	\$ 495,983	\$ 534,601	\$ 216,805
<u>OAK RIDGE HIGH SCHOOL</u>				
<u>STUDENT ACTIVITIES</u>				
<u>ASSETS</u>				
Cash	\$ 183,320	\$ 524,275	\$ 529,407	\$ 178,188
<u>LIABILITIES</u>				
Due to Student Groups	\$ 183,320	\$ 524,275	\$ 529,407	\$ 178,188

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO UNION HIGH SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS - STUDENT BODY (CONCLUDED)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Beginning Balance	Additions	Deductions	Ending Balance
<u>INDEPENDENCE HIGH SCHOOL</u>				
<u>STUDENT ACTIVITIES</u>				
<u>ASSETS</u>				
Cash	\$ 1,960	\$ 3,899	\$ 3,898	\$ 1,961
<u>LIABILITIES</u>				
Due to Student Groups	\$ 1,960	\$ 3,899	\$ 3,898	\$ 1,961
<u>SCRIP ACCOUNT</u>				
<u>STUDENT ACTIVITIES</u>				
<u>ASSETS</u>				
Cash	\$ 74,773	\$ 49,313	\$ 38,379	\$ 85,707
<u>LIABILITIES</u>				
Due to Student Groups	\$ 74,773	\$ 49,313	\$ 38,379	\$ 85,707
<u>SHENANDOAH CHARTER SCHOOL</u>				
<u>STUDENT ACTIVITIES</u>				
<u>ASSETS</u>				
Cash	\$ 5,962	\$ 6,083	\$ 6,323	\$ 5,722
<u>LIABILITIES</u>				
Due to Student Groups	\$ 5,962	\$ 6,083	\$ 6,323	\$ 5,722
<u>TOTAL AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash	\$ 680,558	\$ 1,609,140	\$ 1,646,572	\$ 643,126
<u>LIABILITIES</u>				
Due to Student Groups	\$ 680,558	\$ 1,609,140	\$ 1,646,572	\$ 643,126

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO UNION HIGH SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

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

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

B. Schedule of Average Daily Attendance

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

C. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time and number of days offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

D. Schedule of Charter Schools

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

E. Schedule of Expenditures of Federal Awards

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

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

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

G. Schedule of Financial Trends and Analysis

This schedule is presented to improve the evaluation and reporting of the going concern status of the District.

H. Combining Statements and Individual Fund Schedules

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

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

GOODELL,
PORTER,
SANCHEZ &
BRIGHT, LLP

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

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of El Dorado Union High School District as of and for the year ended June 30, 2011, which collectively comprise the El Dorado Union High School District's basic financial statements and have issued our report thereon dated December 9, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described as findings 2011-1 and 2011-2 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

Compliance and Other Matters

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

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

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


GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

December 9, 2011

GOODELL,
PORTER,
SANCHEZ &
BRIGHT, LLP

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

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

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

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

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


GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

December 9, 2011

GOODELL,
PORTER,
SANCHEZ &
BRIGHT, LLP

C E R T I F I E D
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON STATE PROGRAMS

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

We have audited El Dorado Union High School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2010-11*, published by the Education Audit Appeals Panel that could have a direct and material effect on each of El Dorado Union High School District's State programs for the year ended June 30, 2011. Compliance with the applicable requirements is the responsibility of El Dorado Union High School District's management. Our responsibility is to express an opinion on the District's compliance with the applicable requirements based on our compliance audit.

We conducted our compliance audit in accordance with auditing standards generally accepted in the United States of America; the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2010-11*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the compliance 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 State program occurred. The compliance audit includes examining, on a test basis, evidence about El Dorado Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our compliance audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of El Dorado Union High School District's compliance with those requirements.

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

<u>Description</u>	<u>Procedures in the Audit Guide</u>	<u>Procedures Performed</u>
Attendance reporting	8	Yes
Kindergarten Continuance	3	Not Applicable
Independent study	23	Yes
Continuation education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable

<u>Description</u>	<u>Procedures in the Audit Guide</u>	<u>Procedures Performed</u>
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Not Applicable
GANN Limit calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Class Size Reduction (Including Charter Schools):		
General Requirements	7	Not Applicable
Option One	3	Not Applicable
Option Two	4	Not Applicable
Districts or Charter Schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Not Applicable
After School	4	Not Applicable
Before School	5	Not Applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	Yes
Mode of Instruction, for charter schools	1	Not Applicable
Non Classroom-Based Instruction/Independent Study	15	Yes
Determination of Funding for Non Classroom-Based Instruction	3	Yes
Annual Instructional Minutes - Classroom Based	3	Not Applicable

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

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


GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

December 9, 2011

FINDINGS AND QUESTIONED COSTS SECTION

EL DORADO UNION HIGH SCHOOL DISTRICT
SUMMARY OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified that are not considered to be material weakness? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over financial reporting:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified that are not considered to be material weakness? ☐ Yes ☒ None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133? ☐ Yes ☒ No

Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.394	ARRA: State Fiscal Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

State Awards

Internal control over state programs:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified that are not considered to be material weakness? ☐ Yes ☒ None reported

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

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

JUNE 30, 2011

Section II - Financial Statements Findings

2011 - 1 - PURCHASES AND CASH DISBURSEMENTS-CREDIT CARD CHARGES - 30000

Specific Requirement That Was Not Complied With: Sound accounting practices require supporting records to document goods or services paid for were received and are appropriate as District expenditures.

Finding: As reported in the prior year, we again determined there was no itemized receipt to support some of the charges appearing on the monthly credit card statements.

Effect: Without employees submitting receipts for charges to the District credit cards, an inappropriate charge could be made to the account and not be identified by an employee performing their regular duties

Recommendation: We recommend each time a charge is made on the District credit card, an itemized receipt should be submitted and retained in the accounts payable department as a permanent record to support the expenditure.

District Response: The District has implemented procedures to ensure that employees provide proper documentation for all credit card charges.

2011 - 2 - EXCESS VACATION CARRYOVER - 60000

Specific Requirement That Was Not Complied With: District policy allows an employee to carryover a maximum of one year's allowance to the subsequent year.

Finding: During our audit of accrued vacation liabilities, we noted several employees have vacation balances above the maximum allowed by District policy. At June 30, 2011, twenty-seven (27) employees carried over vacation balances in excess of the amounts earned for the year.

Effect: If employees with substantial vacation balances left the District and the District had to pay the employee the accumulated vacation time, the financial impact to the District could be significant.

Recommendation: We recommend the District enforce the existing policy by requiring employees to use excess time by the end of each fiscal year or pay each employee for unused vacation time in excess of the one year allowance. In the future, the policy could be revised to provide for a "use or lose" policy.

District Response: District will send notices to supervisors to ensure employees take excess vacation.

EL DORADO UNION HIGH SCHOOL DISTRICT
SUMMARY OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

Section III - Federal Award Findings and Questioned Costs

No matters are reported.

Section IV - State Award Findings and Questioned Costs

No matters are reported.

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

JUNE 30, 2011

<u>Findings/Recommendations</u>	<u>Current Status</u>	<u>Explanation if Not Fully Implemented</u>
1. The maintenance department should follow the District's stated policies on internal controls over purchases by providing proof of receipt of materials purchased with District credit cards and department management approve each invoice for payment prior to payment.	Accepted Not Implemented	See current year Finding 2011-1
2. Outstanding checks that have not cleared the bank should be voided and either reissued or written off when they exceed six months past the date of issuance.	Accepted Partially Implemented	District has implemented procedures to prevent this condition from reoccurring. Comment not repeated.
3. The District should enforce the existing policy by requiring employees to use excess time by the end of each fiscal year or pay each employee for unused vacation time in excess of the one year allowance. In the future, the policy could be revised to provide for a "use of lose" policy.	Accepted Not Implemented	See current year Finding 2011-2

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

§ _____
EL DORADO UNION HIGH SCHOOL DISTRICT
(EL DORADO COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2008, SERIES 2012

CONTINUING DISCLOSURE CERTIFICATE

Dated: [closing date]

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the El Dorado Union High School District (the “District”) in connection with the issuance of the above-referenced bonds (the “Bonds”) pursuant to a Paying Agent Agreement dated September 1, 2008, as amended and supplemented by a First Supplemental Paying Agent Agreement, dated August 1, 2010, as further amended and supplemented by a Second Supplemental Paying Agent Agreement, dated August 1, 2012 (as so amended and supplemented, the “Paying Agent Agreement”), between Wells Fargo Bank, National Association, as paying agent (the “Paying Agent”) and the District; and in connection therewith the District covenants and agrees as follows:

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

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

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

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

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

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

MSRB means the Municipal Securities Rulemaking Board.

Official Statement means the final Official Statement relating to the Bonds dated _____, 2012.

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

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

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

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

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

SECTION 3. Provision of Annual Reports.

a. Delivery of Annual Report to Repository. The District shall, or shall cause the Dissemination Agent to, not later than April 15 of each fiscal year commencing April 15, 2013, provide to the Repository an Annual Report that is consistent with the requirements of Section 4 (Content of Annual Reports) of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 (Content of Annual Reports) of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

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

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

d. Report of Non-Compliance. If the District is unable to provide an Annual Report to the Repository by the date required in subsection (a) (Delivery of Annual Report to

Repository), the Dissemination Agent shall send a notice to the Repository in substantially the form attached as Exhibit A.

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

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

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

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

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

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

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

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

SECTION 5. Reporting of Significant Events.

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

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;

- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the District;
- (13) the consummation of a merger, consolidation, or acquisition, or certain asset sales, involving the District, or entry into or termination of a definitive agreement relating to the foregoing, if material;
- (14) appointment of a successor or additional trustee or the change of name of the Trustee, if material.

b. Determination of Materiality of Significant Events. Whenever the District obtains knowledge of the occurrence of one of the foregoing events notice of which must be given only if material, the District shall immediately determine if such event would be material under applicable federal securities laws.

c. Notice to Dissemination Agent. The District shall notify the Dissemination Agent (if other than the District) in writing of the occurrence of any Significant Event in sufficient time to allow timely filing of the notice required by subsection (d) (Notice of Significant Events).

d. Notice of Significant Events. The District shall file, or cause the Dissemination Agent to file, a notice of the occurrence of a Significant Event with the Repository not later than ten (10) business days after the occurrence of the event.

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

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

SECTION 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the District, the Dissemination Agent

shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the District.

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

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

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

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

c. Consent of Holders; Non-impairment Opinion. The amendment or waiver either (i) is approved by the Bondholders in the same manner as provided in the Paying Agent Agreement for amendments to the Paying Agent Agreement with the consent of Bondholders, or (ii) does not, based on an Opinion of Bond Counsel, materially impair the interests of the Bondholders or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the District shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed

Event under Section 5(d) (Notice of Significant Events), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

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

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

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

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

EL DORADO UNION HIGH SCHOOL DISTRICT

By: _____

EXHIBIT A
FORM OF NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: El Dorado Union High School District
Name of Bonds: El Dorado Union High School District (El Dorado County, California),
General Obligation Bonds, Election of 2008, Series 2012
Date of Issuance: [Closing Date]

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

Dated: _____

EL DORADO UNION HIGH SCHOOL DISTRICT

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[closing date]

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

Re: \$ _____
 El Dorado Union High School District
 General Obligation Bonds, Election of 2008, Series 2012
 Final Bond Counsel Opinion

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the El Dorado Union High School District (the "District") of \$ _____ principal amount of El Dorado Union High School District (El Dorado County, California) General Obligation Bonds, Election of 2008, Series 2012 (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

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

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

1. The Bonds have been duly authorized and executed by the District and are valid and binding general obligations of the District.

2. All taxable property in the territory of the District is subject to *ad valorem* taxation without limitation regarding rate or amount (except certain personal property that is taxable at limited rates) to pay the Bonds. The County of El Dorado is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent that necessary funds are not provided from other sources.

3. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax

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

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

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

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

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

Very truly yours,

KRONICK, MOSKOVITZ, TIEDEMANN & GIRARD,
A Professional Corporation

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APPENDIX E
COUNTY INVESTMENT POLICY

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

The County of El Dorado is a Charter County which invests its funds in accordance with the California Government Code (GC) §27000 et seq. and §53635 et seq.

In accordance with GC §27000.5 the criteria of selecting investments and the order of priority are:

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

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

For the uninsured portion of any investment, banks and savings and loans are required to pledge either blocks of Federal securities as collateral at 110% of the County's investment, or banks and savings and loans are required to pledge blocks of real estate mortgages as collateral at 150% of the investment.

While the County recognizes that all investments carry a certain degree of risk, the Treasury attempts to minimize the risks relative to safety of principal.

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

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

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

Reporting

On no less than a quarterly basis, the Treasury shall submit to the Board of Supervisors, the Treasury - Policy Oversight Committee, and the Chief Administrative Officer a report of investments pursuant to GC §53646(b).

Investments

Permissible investments are addressed in GC §53601, §53635, §53637, §53638, §53651, §53652, and §53653.

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

Maximum Percentage/Portfolio

a) US Treasury Notes, Bonds, Bills	Unlimited %	Maximum 5 year term
b) Bankers Acceptances	40%, no more than 5% with any one bank*	Maximum 180 day term
c) Domestic Commercial Paper	20% maximum, no more than 5% with any single issuing corporation*	Maximum 31 day term
d) Negotiable Certificates of Deposit	30%, no more than 5% with any one bank*	Maximum 5 year term
e) Certificates of Deposit, Non-negotiable	Unlimited %	Maximum 5 year term
f) Repurchase Agreement	Unlimited %, no more than 5% with any one company*	Maximum 1 year term
g) Agencies	Unlimited %, no more than 5% with any one agency*	Maximum 3 year term
h) Demand Deposit Savings Accounts	Unlimited %	Maximum 5 year term
i) State Warrants	Unlimited %	Maximum 1 year term
j) Local Agency Investment Fund **	Unlimited %	N/A
k) Medium-Term notes of U.S. Corporations & Depository Institutions (and/or Corporate or Bank notes) guaranteed by the Federal Deposit Insurance Corporation and Issued under the Temporary Liquidity Program (TLGP).	30%	Maximum 3 year term

l) Commercial Paper under FDIC Temporary Liquidity Guarantee Program	40%	Maximum 270 day term
m) Fully Collateralized Money Market Account	Unlimited %, no more than 5% with any one bank*	N/A
n) CDARS (Certificate of Deposit Account Registry Service)	30%	Maximum 5 year term

*Per issuer limitations applies at time of purchase of an investment.

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

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

Safekeeping

All securities purchased shall be held in safekeeping by a third party custodian pursuant to an agreement between the custodian and the County Treasury pursuant to GC §53608. "Delivery versus payment" shall be used for securities transactions, and no security will be held by the broker/dealer from whom purchased.

Criteria for Broker Selection

In accordance with GC §27133(c) any broker, brokerage, dealer, or securities firm that has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board to the local treasurer, any member of the governing board of the local agency, or a candidate for those offices, shall not sell to (or purchase from) the County Treasury securities or other instruments.

Criteria for Considering Agency Request to Withdraw from Pool

Pursuant to GC §27136, depositors who seek to withdraw funds for investing or depositing those funds outside the County Treasury pool shall first submit the request for withdrawal to the County Treasurer in writing.

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

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

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

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

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

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

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

Criteria for Non-Statutory Agency Request to Participate in Pool

All entities qualifying under GC §27133(g) may deposit funds for investment purposes providing the following has been accomplished:

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

Apportioning Treasury Cost

As authorized under GC § 27013, the actual administrative cost of investing, depositing, cash handling, and other management costs associated with the accounting of funds, the deposit of funds, the reconciling of accounts, the interest apportionment, and the investment of funds for the pool will be apportioned among the depositors on the basis of each entity's average daily cash balance. For ease of accounting, all costs are offset against the interest earned before the interest is apportioned.

Apportioning Investment Losses

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

APPENDIX F
BOND PROJECT LIST

APPENDIX E

BOND PROJECT LIST

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

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

