

**PLACENTIA-YORBA LINDA
UNIFIED SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2003

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

OF ORANGE COUNTY

PLACENTIA, CALIFORNIA

JUNE 30, 2003

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mrs. Judy Miner	President	2004
Mrs. Carol Downey	Vice President	2004
Dr. Craig Olson, D.D.S.	Clerk	2004
Mrs. Karin Freeman	Trustee	2006
Mrs. Jan Wagner	Trustee	2006

ADMINISTRATION

Dr. Dennis M. Smith	Superintendent
Dr. Ruth Lander	Assistant Superintendent, Educational Services
Mr. Donald L. Trigg	Assistant Superintendent, Administrative Services
Mr. Timothy VanEck	Assistant Superintendent, Personnel Services
Mr. David Verdugo	Assistant Superintendent, Executive Services

ORGANIZATION

The Placentia-Yorba Linda Unified School District consists of approximately 40 square miles, located 25 miles southeast of Los Angeles in the County of Orange. The District's boundaries encompass all of the City of Placentia, Yorba Linda, and parts of Anaheim, Brea, and Fullerton, and unincorporated areas of Orange County. Placentia-Yorba Linda Unified School District maintains nineteen elementary schools, two special schools, five middle schools, three high schools and one continuation high school.

HISTORY

The District was originally organized in 1936 as the Placentia Unified School District. On July 1, 1989, the District merged with the Yorba Linda School District. As a result, the District's name was changed to Placentia-Yorba Linda Unified School District effective June 30, 1991.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Governing Board
Placentia-Yorba Linda Unified School District
Placentia, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Placentia-Yorba Linda Unified School District (the District), as of and for the year ended June 30, 2003, 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Standards and Procedures for Audits of California K-12 Local Educational Agencies*, prescribed by the State Controller. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Placentia-Yorba Linda Unified School District, as of June 30, 2003, and the respective changes in financial positions and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1.B to the financial statements, the District recognized certain deferred state appropriations as revenue in the current fiscal year.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2003, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 14 and budgetary comparison information on page 51, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal awards which is required by U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Varvink, Irine, Day & Co., LLP

Rancho Cucamonga, California
September 26, 2003

Placentia-Yorba Linda Unified School District

1301 E. Orangethorpe Avenue, Placentia, California 92870
Telephone (714) 996-2550 Fax (714) 524-3034

Dennis M. Smith, Ed.D.
Superintendent

Board of Education
Carol Downey
Karin Freeman
Judy Miner
Craig Olson, D.D.S.
Jan Wagner

This section of Placentia-Yorba Linda Unified School District's 2003 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2003. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Placentia-Yorba Linda Unified School District (the District) and its component units using the integrated approach as prescribed by GASB Statement Number 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the District as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

Governmental and the *Business-Type Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, proprietary, and fiduciary.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Proprietary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fiduciary Funds* are agency funds, which only report a balance sheet and do not have a measurement focus.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Placentia-Yorba Linda Unified School District.



PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2003

REPORTING THE DISTRICT AS A WHOLE

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

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

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

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

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

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

Business-type activities - The District charges fees to help it cover the costs of certain services it provides. The District's child development programs and food services are included here.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2003

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities. 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.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2003

THE DISTRICT AS A WHOLE

Net Assets (assets minus liabilities)

The District's net assets were \$100.7 million and \$107.6 million for the fiscal year ended June 30, 2003 and June 30, 2002, respectively. Of this amount, \$21.5 million and \$21.6 million was unrestricted for June 30, 2003 and June 30, 2002, respectively. Restricted net assets of \$58.3 million and \$8.5 million for June 30, 2003 and June 30 2002, respectively (activities that have restrictions on how the funds are spent and sometimes special reporting is required), are reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below, in summary form, focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

(Amounts in millions)	2003			2002		
	Governmental Activities	Business-Type Activities	School District Activities	Governmental Activities	Business-Type Activities	School District Activities
Current and other assets	\$ 95.2	\$ 8.0	\$ 103.2	\$ 89.3	\$ 8.9	\$ 98.2
Capital assets	80.7	2.2	82.9	75.5	2.1	77.6
Total Assets	175.9	10.2	186.1	164.8	11.0	175.8
Current liabilities	21.7	0.6	22.3	18.7	1.0	19.7
Long-term debt	63.1	-	63.1	48.5	-	48.5
Total Liabilities	84.8	0.6	85.4	67.2	1.0	68.2
Net assets						
Invested in capital assets, net of related debt	18.7	2.2	20.9	75.4	2.1	77.5
Restricted	58.3	-	58.3	8.5	-	8.5
Unrestricted	14.1	7.4	21.5	13.7	7.9	21.6
Total Net Assets	\$ 91.1	\$ 9.6	\$ 100.7	\$ 97.6	\$ 10.0	\$ 107.6

Overall total net assets decreased due to increase of long-term debt, [see page 40](#). This includes issuances of debt for Certificate of Participation, Series B, \$5.5 million, Community Facilities District No. 1, \$5.5 million and PARS Supplementary retirement plan, \$4.7 million, an early retirement plan.

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 16. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2003

Table 2

(Amounts in millions)	2003			2002		
	Governmental Activities	Business-Type Activities	School District Activities	Governmental Activities	Business-Type Activities	School District Activities
Revenues						
<u>Program revenues:</u>						
Charges for services	\$ 5.4	\$ 6.9	\$ 12.3	\$ 2.5	\$ 6.8	\$ 9.3
Operating grants and contributions	32.7	2.8	35.5	35.9	2.9	38.8
<u>General revenues:</u>						
State revenue limit sources	58.0	-	58.0	60.1	-	60.1
Property taxes	73.1	-	73.1	64.1	-	64.1
Other general revenues	11.3	0.1	11.4	14.8	0.3	15.1
Total Revenues	180.5	9.8	190.3	177.4	10.0	187.4
Expenses						
Instruction related	143.2	-	143.2	136.5	-	136.5
Student support services	10.6	-	10.6	10.7	-	10.7
Administration	8.4	-	8.4	8.3	-	8.3
Maintenance and operations	19.9	-	19.9	20.6	-	20.6
Other	5.0	10.2	15.2	2.4	10.4	12.8
Total Expenses	187.1	10.2	197.3	178.5	10.4	188.9
Excess (Deficiency)	(6.6)	(0.4)	(7.0)	(1.1)	(0.4)	(1.5)
Change in Net Assets	\$ (6.6)	\$ (0.4)	\$ (7.0)	\$ (1.1)	\$ (0.4)	\$ (1.5)

Governmental Activities

As reported in the Statement of Activities on page 16, the cost of all of our governmental activities this year was \$187.1 million and \$178.5 million for June 30, 2003 and June 30, 2002, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was \$73.1 million and \$64.1 million for June 30, 2003 and June 30, 2002, respectively, because the cost was paid by those who benefited from the programs \$5.4 million and \$2.5 million for June 30, 2003 and June 30, 2002, respectively, or by other governments and organizations who subsidized certain programs with grants and contributions of \$32.7 million and \$35.9 million for June 30, 2003 and June 30, 2002, respectively. We paid for the remaining "public benefit" portion of our governmental activities with \$8.0 million and \$7.8 million for June 30, 2003 and June 30, 2002, respectively, in Federal funding, \$58.0 million and \$60.1 million for June 30, 2003 and June 30, 2002, respectively, in State funds, and \$3.3 million and \$7.0 million for June 30, 2003 and June 30, 2002, respectively, with other revenues, like interest and general entitlements.

The overall increase in revenue was due to Yorba Linda Redevelopment Agency pass through of \$2.3 million and property tax collected for the Community Facilities District, no. 1 of \$4.2 million. A decrease occurred in operating grants in transportation and School Improvement Program (SIP), the revenue was deferred into the next year and a reduction of funding for textbooks occurred.

Change in net total expenses from one year to the next had to do with construction, where the increase of depreciation of \$8 million over last year would have been charged to the completed projects.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2003

In Table 3, we have presented the cost of each of the District's six largest functions – Instruction (regular and special education), pupil services, school administration, general administration, plant maintenance and operations, and other. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

(Amounts in millions)	2003		2002	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 131.8	\$ 104.7	\$ 125.5	\$ 93.5
Other Pupil services	10.6	7.4	10.7	8.1
School administration	11.4	11.1	11.0	10.7
General administration	8.4	7.8	8.3	7.3
Maintenance and operations	19.9	19.0	20.6	20.1
Other	5.0	1.1	2.4	0.4
Totals	\$ 187.1	\$ 151.1	\$ 178.5	\$ 140.1

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$71.8 million and \$67.0 million for June 30, 2003 and June 30, 2002, respectively, which was an increase of \$4.8 million from this year (Table 4).

Table 4

(Amounts in millions)	Fund Balance	
	June 30, 2003	June 30, 2002
General	\$ 17.9	\$ 17.5
Measure Y Building	26.7	44.6
Adult Education	0.1	0.1
Deferred Maintenance	0.6	0.3
Bond Interest and Redemption	3.0	-
Capital Facilities	1.9	1.2
County School Facilities	7.2	1.0
Special Reserve - Capital	3.8	2.3
Other - COP and CFD	10.6	-
Totals	\$ 71.8	\$ 67.0

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2003

The primary reasons for these increases and decreases are the following:

Building Fund (Measure Y)

Decrease in building funds (Measure Y) occurred due to transfer of 20 percent match share of \$8 million required from Building Fund to Fund 39 (PROP 47 Funds). In addition, several projects have been completed and/or in work in process.

Measure Y Financial Data Identified within the Financial Statements as follows:

Balance Sheet	Pg. 17
Statement of Revenues, Expenditures and Changes in Fund Balance	Pg. 19
Receivables	Pg. 35
Interfund Receivables/Payables	Pg. 37
Operating Transfers	Pg. 38
Accounts Payable	Pg. 39
Fund Balances	Pg. 44

Bond Interest and Redemption Fund

Interest and sinking Funds for repayment of bonds issued due to Measure Y

County School Facilities Fund (Includes Fund 39)

Transfer from Building Fund; see above, to Fund 39 (PROP 47) for modernization match.

Other

Increase of Funds Due to Issuance of COP, Series B and CFD, No. 1.

Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. A schedule showing the District's original and final general fund budget amounts compared with amounts actually paid and received is provided in our annual report on page 51.

- Significant revenue revisions made to the 2002-2003 Budget were due to deferred income (funds that were deferred and budgeted subsequent to the original budget) and newly acquired grant awards.
- Budgeted expenditures increased by approximately \$8.1 million and \$5 million due to the collective bargaining settlements reached in October and November for fiscal years 2003 and 2002, respectively.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2003

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2003 and June 30, 2002, the District had \$82.9 million and \$77.6 million in a broad range of capital assets, including land, buildings, and furniture and equipment, net of accumulation of depreciation (Table 5).

Construction in process increased dramatically in 2002-2003. Some of the Major projects are as follows:

Mabel Paine Elementary, alterations: four classroom buildings; one administration/MP building; one kindergarten building, Warehouse, and Yorba Linda High School.

Table 5

(Amounts in millions)	2003			2002		
	Governmental	Business-Type	Totals	Governmental	Business-Type	Totals
	Activities	Activities		Activities	Activities	
Land and construction in process	\$ 40.1	\$ 0.1	\$ 40.2	\$ 33.3	\$ -	\$ 33.3
Buildings and improvements	37.6	1.9	39.5	39.3	1.9	41.2
Equipment	3.0	0.2	3.2	2.9	0.2	3.1
Totals	\$ 80.7	\$ 2.2	\$ 82.9	\$ 75.5	\$ 2.1	\$ 77.6

We present more detailed information about our capital assets in Note 4 to the financial statements.

Long-Term Debt

At the end of this year and June 30, 2002, the District had a increase of \$-0- million and \$45 million in bonds outstanding due to the passage of Measure "Y," 2002 Election, Series A.

Table 6

(Amounts in millions)	2003			2002		
	Governmental	Business-Type	Totals	Governmental	Business-Type	Totals
	Activities	Activities		Activities	Activities	
General obligation bonds (Financed with property taxes)	\$ 45.7	\$ -	\$ 45.7	\$ 45.7	\$ -	\$ 45.7
Community facilities district	5.5	-	5.5	-	-	-
Certificates of participation	5.6	-	5.6	-	-	-
Compensated absences	1.1	-	1.1	1.2	-	1.2
Capitalized lease obligations	0.0	-	0.0	0.1	-	0.1
PARS supplementary retirement plan	5.2	-	5.2	1.5	-	1.5
Totals	\$ 63.1	\$ -	\$ 63.1	\$ 48.5	\$ -	\$ 48.5

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2003

The District's general obligation bond rating continues to be "AAA." The State limits the amount of general obligation debt that districts can issue to 2.5 percent for June 30, 2003 of the taxable value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$45.7 million and \$45.7 million for June 30, 2003 and June 30, 2002, respectively, are significantly below the statutorily - imposed limit.

Other obligations include compensated absences payable and other long-term debt. We present more detailed information regarding our long-term liabilities in Note 8 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2003-2004 year, the District Board and management used the following assumptions:

The Summary of Assumptions are as follows:

Income

Revenue Sources

- No Net Cost of Living Adjustment (COLA), a 1.2% deficit (\$60 per ADA loss)
- Student Growth: 300 Average Daily Attendance (ADA)
- No growth for categorical programs except for Special Education
- Any unused grants at the end of 2002-2003 will be deferred into 2003-2004 and increase the amount of Federal revenues
- No COLA and Growth increases budgeted for State categorical grants/entitlements
- Any unused grants at the end of 2002-2003 will be deferred into 2003-2004 and increase the amount of State categorical revenues
- K-3 Class Size Reduction (no COLA)
 - Operations: \$906 per enrolled student in 20:1 class
 - (Option 1 for Grades 1, 2 and 3)
 - Operations: \$453 per enrolled student in Option 2 for Kindergarten students
 - Facilities: \$0
- 9th Grade Class Size Reduction (no COLA)
 - Operations: \$180 per enrolled student in 20: 1 class
- State Lottery: \$125 per ADA estimation

Local Income Sources

- Interest Rates for Cash in County Treasury: 1.2% (as projected by Orange County Treasurer)

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2003

Expenditures

Certificated Salaries

- Budgeted appropriations reflect additional staffing for enrollment growth, class size reduction, and pupil services
- Budgeted additional \$1.6 million for certificated employees step and column movements

Classified Salaries

- Budgeted appropriations reflect additional staffing for enrollment growth
- Budgeted additional \$600,000 for classified employees step and column and longevity movements
- Since negotiations for the 2003-2004 fiscal year have not begun, no salary cost-of-living adjustments have been budgeted

Estimated Employee Benefits

- District premium contribution per employee of Health and Welfare benefit: \$6,316.44
- Rates:
 - State Teachers Retirement System (STRS): 8.25%
 - Public Employees Retirement System (PERS): 10.42%
 - PERS Reduction (recapture by State of PERS expense savings): 2.6%
 - Social Security (OASDI): 6.20%
 - Medicare: 1.45%
 - Unemployment Insurance: .3%
 - Workers' Compensation (contribution to Self-Insurance Fund): 1.58%

Other Services and Operating Expenditures

- Contribution to Comprehensive Property and Liability Insurance Funds: \$500,000

Other Financing Sources/Uses

- Transfer to Deferred Maintenance Fund as State match: \$750,000
- Contributions to Restricted Programs (encroachment): \$7,813,974

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2003

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent, Business Services, Placentia-Yorba Linda Unified School District at 1301 East Orangethorpe Avenue, Placentia, California, 92870.

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PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**STATEMENT OF NET ASSETS
JUNE 30, 2003**

Assets	Governmental Activities	Business-Type Activities	Total
Deposits and investments	\$ 83,110,180	\$ 7,250,535	\$ 90,360,715
Receivables	10,365,863	1,112,790	11,478,653
Internal balances	607,726	(607,726)	-
Prepaid expenses	707,101	-	707,101
Stores inventories	428,570	253,924	682,494
Capital assets			
Land and construction in process	40,065,659	63,431	40,129,090
Other capital assets	96,970,057	2,846,900	99,816,957
Less: Accumulated depreciation	(56,314,092)	(679,347)	(56,993,439)
Total capital assets	80,721,624	2,230,984	82,952,608
Total Assets	\$ 175,941,064	\$ 10,240,507	\$ 186,181,571
Liabilities			
Accounts payable	15,445,438	606,355	16,051,793
Accrued interest	529,782	-	529,782
Deferred revenue	1,640,338	-	1,640,338
Claims liability	4,114,351	-	4,114,351
Long-term liabilities			
Current portion of long-term obligations	4,726,432	-	4,726,432
Noncurrent portion of long-term obligations	58,408,360	-	58,408,360
Total long-term liabilities	63,134,792	-	63,134,792
Total Liabilities	84,864,701	606,355	85,471,056
Net Assets			
Invested in capital assets, net of related debt	18,673,806	2,230,984	20,904,790
Restricted for:			
Debt service	3,038,075	-	3,038,075
Capital projects	50,207,629	-	50,207,629
Educational programs	4,379,238	-	4,379,238
Other activities	704,569	-	704,569
Unrestricted	14,073,046	7,403,168	21,476,214
Total Net Assets	\$ 91,076,363	\$ 9,634,152	\$ 100,710,515

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

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 123,103,825	\$ 879,222	\$ 21,093,801	\$ -
Instruction-related activities:				
Supervision of instruction	7,487,007	157,039	4,861,107	-
Instructional library, media and technology	1,242,594	-	91,318	-
School site administration	11,355,735	5,740	277,384	-
Pupil services:				
Home-to-school transportation	4,726,368	214,165	1,117,364	-
Food services	19,544	-	1,029	-
All other pupil services	5,850,695	135,413	1,701,546	-
General administration:				
Data processing	2,717,773	-	-	-
All other general administration	5,695,566	11,813	605,609	-
Plant services	19,857,146	661	845,765	-
Facility acquisition and construction	233,051	-	-	-
Community services	69,607	-	69,658	-
Enterprise services	700,764	-	-	-
Interest on long-term debt	1,888,935	-	-	-
Other outgo	2,108,044	3,982,002	2,056,657	-
Total Governmental-Type Activities	187,056,654	5,386,055	32,721,238	-
Business-Type Activities:				
Food services	5,625,072	2,622,854	2,654,335	-
Child development	4,586,679	4,323,310	158,498	-
Total Business-Type Activities	10,211,751	6,946,164	2,812,833	-
Total School District	\$ 197,268,405	\$ 12,332,219	\$ 35,534,071	\$ -

General revenues and subventions:

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Federal and State aid not restricted to specific purposes
- Interest and investment earnings
- Miscellaneous

Subtotal, General Revenues

- Change in Net Assets**
- Net Assets - Beginning**
- Net Assets - Ending**

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

**Net (Expenses) Revenues and
Changes in Net Assets**

Governmental Activities	Business- Type Activities	Total
\$(101,130,802)	\$ -	\$(101,130,802)
(2,468,861)	-	(2,468,861)
(1,151,276)	-	(1,151,276)
(11,072,611)	-	(11,072,611)
(3,394,839)	-	(3,394,839)
(18,515)	-	(18,515)
(4,013,736)	-	(4,013,736)
(2,717,773)	-	(2,717,773)
(5,078,144)	-	(5,078,144)
(19,010,720)	-	(19,010,720)
(233,051)	-	(233,051)
51	-	51
(700,764)	-	(700,764)
(1,888,935)	-	(1,888,935)
3,930,615	-	3,930,615
(148,949,361)	-	(148,949,361)
-	(347,883)	(347,883)
-	(104,871)	(104,871)
-	(452,754)	(452,754)
(148,949,361)	(452,754)	(149,402,115)
68,916,899	-	68,916,899
4,254,125	-	4,254,125
67,445,616	-	67,445,616
1,366,733	120,958	1,487,691
427,439	-	427,439
142,410,812	120,958	142,531,770
(6,538,549)	(331,796)	(6,870,345)
97,614,912	9,965,948	107,580,860
\$ 91,076,363	\$ 9,634,152	\$ 100,710,515

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2003**

	General Fund	Measure Y Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 20,090,818	\$ 28,502,849	\$ 28,835,693	\$ 77,429,360
Receivables	10,147,470	31,134	181,426	10,360,030
Due from other funds	1,008,099	-	576,886	1,584,985
Stores inventories	428,570	-	-	428,570
Total Assets	\$ 31,674,957	\$ 28,533,983	\$ 29,594,005	\$ 89,802,945
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	11,324,998	1,843,552	2,204,650	15,373,200
Due to other funds	841,784	21,188	108,325	971,297
Deferred revenue	1,640,338	-	-	1,640,338
Total Liabilities	13,807,120	1,864,740	2,312,975	17,984,835
FUND BALANCES				
Reserved	4,976,808	-	-	4,976,808
Unreserved:				
Designated, reported in:				
General Fund	12,891,029	-	-	12,891,029
Special revenue funds	-	-	704,569	704,569
Debt service funds	-	-	3,038,075	3,038,075
Capital projects funds	-	26,669,243	23,538,386	50,207,629
Total Fund Balance	17,867,837	26,669,243	27,281,030	71,818,110
Total Liabilities and Fund Balances	\$ 31,674,957	\$ 28,533,983	\$ 29,594,005	\$ 89,802,945

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

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2003**

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:

Total Fund Balance - Governmental Funds	\$ 71,818,110
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is	\$ 137,035,716
Accumulated depreciation is	<u>(56,314,092)</u>
	80,721,624
Expenditures relating to issuance of debt of next fiscal year were recognized in modified accrual basis, but should not be recognized in accrual basis.	707,101
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.	(529,782)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. Internal service fund net assets are:	1,494,102
Long-term liabilities, including general obligation bonds, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year end consist of:	
General obligation bonds	(45,753,028)
Certificates of participation	(11,055,000)
Capital lease obligations	(39,123)
Compensated absences	(1,086,974)
Other long-term payables	<u>(5,200,667)</u>
	(63,134,792)
Total Net Assets - Governmental Activities	<u>\$ 91,076,363</u>

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

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2003**

	General Fund	Measure Y Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Revenue limit sources	\$128,956,693	\$ -	\$ 454,811	\$129,411,504
Federal sources	7,957,251	-	315	7,957,566
Other state sources	31,914,910	-	902,026	32,816,936
Other local sources	6,672,779	601,930	7,084,479	14,359,188
Total Revenues	<u>175,501,633</u>	<u>601,930</u>	<u>8,441,631</u>	<u>184,545,194</u>
EXPENDITURES				
Current				
Instruction	113,550,287	-	261,345	113,811,632
Instruction-related activities:				
Supervision of instruction	7,343,667	-	-	7,343,667
Instructional library, media and technology	1,137,215	-	-	1,137,215
School site administration	10,296,975	-	192,896	10,489,871
Pupil Services:				
Home-to-school transportation	4,695,781	-	-	4,695,781
Food services	486	-	-	486
All other pupil services	5,825,727	-	-	5,825,727
General administration:				
Data processing	2,712,231	-	-	2,712,231
All other general administration	6,312,899	-	165,512	6,478,411
Plant services	18,479,314	38,116	877,695	19,395,125
Facility acquisition and construction	411,940	6,316,017	8,948,988	15,676,945
Community services	69,558	-	-	69,558
Other outgo	-	-	63,517	63,517
Enterprise services	699,945	-	-	699,945
Debt service				
Principal	27,475	-	-	27,475
Interest and other	16,907	-	1,294,119	1,311,026
Total Expenditures	<u>171,580,407</u>	<u>6,354,133</u>	<u>11,804,072</u>	<u>189,738,612</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,921,226</u>	<u>(5,752,203)</u>	<u>(3,362,441)</u>	<u>(5,193,418)</u>
Other Financing Sources (Uses):				
Transfers in	1,200,000	-	15,567,809	16,767,809
Other sources	700,000	-	10,874,134	11,574,134
Transfers out	(3,366,828)	(12,200,981)	(700,000)	(16,267,809)
Other uses	(2,044,527)	-	-	(2,044,527)
Net Financing Sources (Uses)	<u>(3,511,355)</u>	<u>(12,200,981)</u>	<u>25,741,943</u>	<u>10,029,607</u>
NET CHANGE IN FUND BALANCES	<u>409,871</u>	<u>(17,953,184)</u>	<u>22,379,502</u>	<u>4,836,189</u>
Fund Balance - Beginning	<u>17,457,966</u>	<u>44,622,427</u>	<u>4,901,528</u>	<u>66,981,921</u>
Fund Balance - Ending	<u>\$ 17,867,837</u>	<u>\$ 26,669,243</u>	<u>\$ 27,281,030</u>	<u>\$ 71,818,110</u>

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

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2003

Total Net Change in Fund Balances - Governmental Funds **\$ 4,836,189**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statements of activities.

This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	\$ (10,238,928)	
Capital outlays	<u>15,475,644</u>	5,236,716

Loss on disposal of capital assets is reported in the government-wide statement of net assets, but is not recorded in the governmental funds. (7,669)

In the statement of activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, there are no special termination benefits. Vacation used was more than the amounts earned by \$56,475. 56,475

Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term liabilities in the statement of net assets and does not affect the statement of activities:

Certificates of participation		(11,055,000)
Other long-term debt		(4,664,583)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities:

Capital lease obligations		27,475
Other long-term debt		988,753

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the result of two factors. First, accrued interest on the general obligation bonds/certificates of participation/special tax revenue bonds/capital lease obligations increased by \$529,782, and second, \$48,127 of additional accumulated interest was accreted on the Districts' "capital appreciation" general obligation bonds/certificates of participation/special tax revenue bonds. (577,909)

An internal service fund is used by the District's management to charge the costs of the unemployment compensation insurance program to the individual funds. The net revenue of the internal service fund is reported with governmental activities. (1,378,996)

Change in Net Assets of Governmental Activities **\$ (6,538,549)**

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

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003**

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Child Care	Food Service	Total	
ASSETS				
Current Assets				
Deposits and investments	\$ 5,574,651	\$ 1,675,884	\$ 7,250,535	\$ 5,680,820
Receivables	23,998	1,088,792	1,112,790	5,833
Due from other funds	25,605	34,249	59,854	344,002
Stores inventories	-	253,924	253,924	-
Total Current Assets	<u>5,624,254</u>	<u>3,052,849</u>	<u>8,677,103</u>	<u>6,030,655</u>
Noncurrent Assets				
Capital assets	2,341,511	568,820	2,910,331	-
Less: accumulated depreciation	(287,301)	(392,046)	(679,347)	-
Total Noncurrent Assets	<u>2,054,210</u>	<u>176,774</u>	<u>2,230,984</u>	<u>-</u>
Total Assets	<u>7,678,464</u>	<u>3,229,623</u>	<u>10,908,087</u>	<u>6,030,655</u>
LIABILITIES				
Current Liabilities				
Accounts payable	342,717	263,638	606,355	72,238
Due to other funds	353,576	314,004	667,580	349,964
Claim liabilities	-	-	-	4,114,351
Total Current Liabilities	<u>696,293</u>	<u>577,642</u>	<u>1,273,935</u>	<u>4,536,553</u>
NET ASSETS				
Invested in capital assets, net of related debt	2,054,210	176,774	2,230,984	-
Unrestricted	4,927,961	2,475,207	7,403,168	1,494,102
Total Net Assets	<u>\$ 6,982,171</u>	<u>\$ 2,651,981</u>	<u>\$ 9,634,152</u>	<u>\$ 1,494,102</u>

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

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003**

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Child Care	Food Service	Total	
OPERATING REVENUES				
Charges for services	\$ 4,323,310	\$ 2,622,854	\$ 6,946,164	\$ -
Charges to other funds and miscellaneous revenues	3,421	-	3,421	16,579,658
Total Operating Revenues	<u>4,326,731</u>	<u>2,622,854</u>	<u>6,949,585</u>	<u>16,579,658</u>
OPERATING EXPENSES				
Payroll costs	3,710,111	2,529,588	6,239,699	163,214
Professional and contract services	148,272	58,235	206,507	17,348,092
Supplies and materials	304,336	2,822,441	3,126,777	3,382
Facility rental	2,251	81,478	83,729	18,751
Other operating cost	388,383	287,320	675,703	-
Depreciation	33,326	41,044	74,370	-
Total Operating Expenses	<u>4,586,679</u>	<u>5,820,106</u>	<u>10,406,785</u>	<u>17,533,439</u>
Operating Income (Loss)	<u>(259,948)</u>	<u>(3,197,252)</u>	<u>(3,457,200)</u>	<u>(953,781)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	85,930	35,028	120,958	74,785
Grants	155,077	2,849,369	3,004,446	-
Total Nonoperating Revenues (Expenses)	<u>241,007</u>	<u>2,884,397</u>	<u>3,125,404</u>	<u>74,785</u>
Income (Loss) Before Capital Contributions and Transfers	<u>(18,941)</u>	<u>(312,855)</u>	<u>(331,796)</u>	<u>(878,996)</u>
Transfers out	-	-	-	(500,000)
Change in Net Assets	<u>(18,941)</u>	<u>(312,855)</u>	<u>(331,796)</u>	<u>(1,378,996)</u>
Total Net Assets - Beginning	<u>7,001,112</u>	<u>2,964,836</u>	<u>9,965,948</u>	<u>2,873,098</u>
Total Net Assets - Ending	<u>\$ 6,982,171</u>	<u>\$ 2,651,981</u>	<u>\$ 9,634,152</u>	<u>\$ 1,494,102</u>

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

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003**

	Business-Type Activities Enterprise Funds			Governmental Activities -
	Child Care	Food Services	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from user charges	\$ 4,305,007	\$ 2,029,411	\$ 6,334,418	\$ 16,583,263
Cash received from assessments made to other funds	-	-	-	560,908
Cash payments to employees for services	(3,870,832)	(2,486,837)	(6,357,669)	(163,213)
Cash payments for insurance claims	-	-	-	(721,659)
Cash payments to suppliers for goods and services	(843,241)	(3,556,006)	(4,399,247)	(3,382)
Cash payments for facility use	-	-	-	-
Cash payments for administrative expense	-	-	-	(4,364)
Cash payments for other operating expenses	-	-	-	(16,371,491)
Net Cash Used for Operating Activities	(409,066)	(4,013,432)	(4,422,498)	(119,938)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Nonoperating grants received	155,077	2,849,369	3,004,446	-
Transfers from (to) other funds	-	-	-	(500,000)
Net Cash Provided (Used) from Noncapital Financing Activities	155,077	2,849,369	3,004,446	(500,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(187,670)	(16,859)	(204,529)	-
Net Cash Used for Capital and Related Financing Activities	(187,670)	(16,859)	(204,529)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	85,930	35,028	120,958	74,785
Net Cash Provided from Investing Activities	85,930	35,028	120,958	74,785
Net increase in cash and cash equivalents	(355,729)	(1,145,894)	(1,501,623)	(545,153)
Cash and cash equivalents - Beginning	5,930,380	2,821,778	8,752,158	6,225,973
Cash and cash equivalents - Ending	\$ 5,574,651	\$ 1,675,884	\$ 7,250,535	\$ 5,680,820
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating loss	(259,948)	(3,197,252)	(3,457,200)	(953,781)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation	33,326	41,044	74,370	-
Changes in assets and liabilities:				
Receivables	3,883	(563,261)	(559,378)	3,605
Due from other fund	(25,606)	(30,182)	(55,788)	560,908
Inventories	-	(147,284)	(147,284)	-
Accrued liabilities	(241,281)	(159,248)	(400,529)	(10,369)
Due to other fund	80,560	42,751	123,311	279,699
NET CASH USED BY OPERATING ACTIVITIES	\$ (409,066)	\$ (4,013,432)	\$ (4,422,498)	\$ (119,938)
NONCASH, NONCAPITAL FINANCING ACTIVITIES				

During the year, the District received \$195,034 of food commodities from the U.S. Department of Agriculture.

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

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 990,577
Stores inventories	4,542
Total Assets	<u><u>\$ 995,119</u></u>
 LIABILITIES	
Accounts payable	120,173
Due to student groups	874,946
Total Liabilities	<u><u>\$ 995,119</u></u>

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

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Placentia-Yorba Linda Unified School District was unified in 1992 under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades Kindergarten - 12 as mandated by the State and/or Federal agencies. The District operates nineteen elementary, five middle, three high schools, two special schools and one continuation high school.

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 Placentia Yorba-Linda Unified School District, this includes general operations, food service, and student related activities of the District.

B. State Deferred Appropriations

As part of its plan to address the budget crisis facing the State of California, Senate Bill (SB) XI 18 (the Bill) was signed into law during the year ended June 30, 2003. The provisions of the Bill significantly altered funding for California school districts. The Bill, among other things, shifted the appropriation for and the payment of the June 2003 principal apportionment for the General and Adult Funds into the 2003-2004 fiscal year. The Bill allowed local educational agencies to recognize for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current-year costs as a receivable in the current year. In addition, Assembly Bill 2781 deferred the 2002-2003 appropriations for the Home-to-School Transportation, School Improvement, Targeted Instructional Improvement, and Supplemental Grant programs into the 2003-2004 fiscal year. Exclusion of the apportionments would have resulted in a decrease in receivables, revenue, and available reserves of \$3,928,790.

C. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. For financial reporting purposes, the component units discussed below are reported in the District's financial statements because of the significance of their relationship with the District. The component units, although legally separate entities, are reported in the financial statements as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the benefit of the District.

The District participates in the Certificates of Participation program (the COP) of the California School Boards Association Finance Corporation (the Corporation). The District, the Community Facilities District No. 1 (the CFD), and the Corporation have a financial and operational relationship which meets the reporting entity definition criteria of the GASB Statement No. 14, *The Financial Reporting Entity*, for inclusion of the CFD and COP as component units of the District. Accordingly, the financial activities of the CFD and the COP have been included in the financial statements of the District.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

Joint Powers Agencies and Public Entity Risk Pools The District is associated with one joint power agency and two public entity risk pools. These organizations do not meet the criteria for inclusion as component units of the District. Summarized audited financial information is presented in Note 14 to the financial statements. These organizations are the following:

North Orange County Regional Occupational Program (NOCROP), a joint powers authority;
Alliance of Schools for Cooperative Insurance Programs (ASCIP); and
Schools Excess Liability Fund (SELF), public entity risk pools.

D. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

Major Governmental Funds

General Fund The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of California.

Measure Y Building (Capital Projects) Fund The Building Fund exists primarily to account separately for proceeds from sale of bonds and the acquisition of major governmental capital facilities and buildings.

Other Non-Major Governmental Funds

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

Adult Education Fund The Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.

Deferred Maintenance Fund The Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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

Bond Interest and Redemption Fund The 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.

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

Capital Facilities Fund The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

County School Facilities Fund The County School Facilities Fund is used primarily to account separately for State apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17010.10-17076.10).

Special Reserve Fund The Special Reserve Fund is used to account for funds set aside for Board designated construction projects.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service.

Enterprise Fund Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. These funds account for the operation of Food Service and Child Development activities.

The following is the District's enterprise funds:

Child Development Fund The Child Development Fund is used to account for resources committed to child development programs maintained by the District.

Cafeteria Fund The Cafeteria Fund is used to account for the financial transactions related to the food service operations of the District.

Internal Service Funds These funds account for general liability, property liability, health and welfare, and workers' compensation insurance coverages provided to other debts on a cost-reimbursement basis.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The District reports an agency fund to account for monies held on behalf of student bodies (ASB).

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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E. Basis of Accounting - Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each governmental program. 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 the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

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

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

Governmental Funds 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 generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Proprietary Funds Proprietary funds are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net assets. The statement of changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

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Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on 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 that 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 expected to be received within 60-90 days of fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: state apportionments, interest, certain grants, and other local sources.

Deferred Revenue Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as part of stores inventory. Principal and interest on general long-term debt, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

F. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

G. Investments

Investments held at June 30, 2003, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

H. Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents required by grantors to be set aside by the District for the purpose of satisfying certain requirements of the entitlements.

I. Prepaid Expenditures

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 when paid.

J. Inventory

Inventories consist of expendable food and supplies held for consumption and unused donated commodities. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the proprietary type funds when used.

K. Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District as a whole. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the general capital assets.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

L. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

M. Compensated Absences

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

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

N. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from the enterprise funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as a liability on the fund financial statements when due.

O. Bond Issuance Costs, Premiums, and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

In the fund financial statements, governmental funds recognize bond premiums and discounts as other financing sources and uses, respectively, and bond insurance costs as debt service expenditures. Insurance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

P. Fund Balance Reserves and Designations

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for revolving cash accounts, stores inventories, and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund equity designations have been established for economic uncertainties, and other purposes.

Q. Net Assets

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

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are cafeteria sales and child care fees. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

S. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

T. 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.

U. Budgetary Data

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

V. Property Tax

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

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Policies and Practices

The District is considered to be an involuntary participant in an external investment pool since the District is required to deposit all receipts and collections of monies with their county treasurer (Education Code Section 41001). In addition, the District is authorized to maintain deposits with certain financial institutions that are federally insured up to \$100,000.

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

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

B. Deposits

At year-end, the carrying amount of the District's deposits were \$298,320 for government activities, \$40,444 for business activities, and \$990,577 held in fiduciary funds. The bank balances totaled \$2,192,181. Of the bank balances, \$500,000 was covered by Federal deposit insurance and \$1,692,181 was covered by pooled and/or pledged collateral, but not necessarily held in the District's name (uncollateralized, risk Category 3).

C. Investments

The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the counterparty's trust department or agent in the District's name holds the securities. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent but not in the District's name. Deposits with the County Treasury and investments in the State Treasurer's Investment Pool are not categorized because they do not represent securities, which exist in physical or book entry form. The deposits with county treasury are valued using the amortized cost method (which approximates fair value). The fair values were provided by the county and State treasurers for their respective pools.

The investments at June 30, 2003, are as follows:

	<u>Cost Basis</u>	<u>Fair Value</u>
Uncategorized		
Deposits with county treasurer	\$ 79,394,268	\$ 79,478,365
BNY Hamilton Treasury Money Fund	5,408,790	5,408,790
First American Treasury Obligations	5,218,893	5,218,893
	<u>\$ 90,021,951</u>	<u>\$ 90,106,048</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 3 – RECEIVABLES

Receivables at June 30, 2003, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General	Measure Y Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government					
Categorical aid	\$ 945,699	\$ -	\$ -	\$ -	\$ 945,699
State Government					
Apportionment	3,089,800	-	59,692	-	3,149,492
Categorical aid	3,241,202	-	-	-	3,241,202
Other state	354,903	-	-	-	354,903
Local Government					
Interest	60,284	31,134	19,949	5,833	117,200
Other Local Sources	2,455,582	-	101,785	-	2,557,367
Total	<u>\$10,147,470</u>	<u>\$ 31,134</u>	<u>\$ 181,426</u>	<u>\$ 5,833</u>	<u>\$ 10,365,863</u>

	Major Enterprise Fund	Non-Major Enterprise Fund	Total Enterprise Funds
Federal Government			
Categorical aid	\$ -	\$ 414,066	\$ 414,066
State Government			
Apportionment	-	-	-
Categorical aid	16,574	28,094	44,668
Other state	-	-	-
Local Government			
Interest	5,800	1,977	7,777
Other Local Sources	1,624	644,655	646,279
Total	<u>\$ 23,998</u>	<u>\$1,088,792</u>	<u>\$ 1,112,790</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 17,796,598	\$ -	\$ -	\$ 17,796,598
Construction in process	15,492,435	14,377,073	7,600,447	22,269,061
Total Capital Assets Not Being Depreciated	<u>33,289,033</u>	<u>14,377,073</u>	<u>7,600,447</u>	<u>40,065,659</u>
Capital Assets Being Depreciated				
Buildings and improvements	77,535,737	7,897,001	-	85,432,738
Furniture and equipment	10,882,774	802,015	147,470	11,537,319
Total Capital Assets Being Depreciated	<u>88,418,511</u>	<u>8,699,016</u>	<u>147,470</u>	<u>96,970,057</u>
Less Accumulated Depreciation				
Buildings and improvements	38,229,270	9,570,968	-	47,800,238
Furniture and equipment	7,985,695	667,960	139,801	8,513,854
Total Accumulated Depreciation	<u>46,214,965</u>	<u>10,238,928</u>	<u>139,801</u>	<u>56,314,092</u>
Governmental Activities Capital Assets, Net	<u>\$ 75,492,579</u>	<u>\$ 12,837,161</u>	<u>\$ 7,608,116</u>	<u>\$ 80,721,624</u>
Business-Type Activities				
Capital Assets Not Being Depreciated				
Construction in process	-	63,431	-	63,431
Total Capital Assets Not Being Depreciated	<u>-</u>	<u>63,431</u>	<u>-</u>	<u>63,431</u>
Capital Assets Being Depreciated				
Buildings and improvements	2,153,840	124,240	-	2,278,080
Furniture and equipment	551,961	16,859	-	568,820
Total Capital Assets Being Depreciated	<u>2,705,801</u>	<u>141,099</u>	<u>-</u>	<u>2,846,900</u>
Less Accumulated Depreciation				
Buildings and improvements	253,975	33,326	-	287,301
Furniture and equipment	351,002	41,044	-	392,046
Total Accumulated Depreciation	<u>604,977</u>	<u>74,370</u>	<u>-</u>	<u>679,347</u>
Business-Type Activities Capital Assets, Net	<u>\$ 2,100,824</u>	<u>\$ 130,160</u>	<u>\$ -</u>	<u>\$ 2,230,984</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

Depreciation expense was charged to governmental and business-type functions as follows:

Governmental Activities:

Instruction	\$ 8,703,090
Supervision of instruction	102,389
Instructional library, media and technology	102,389
School site administration	819,114
All other general administration	102,389
Plant services	409,557
Total Depreciation Expenses Governmental Activities	<u>10,238,928</u>

Business-Type Activities:

Child Development	33,326
Food Service	41,044
Total Depreciation Expenses Business-Type Activities	<u>74,370</u>
Total Depreciation Expenses All Activities	<u><u>\$ 10,313,298</u></u>

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2003, between major and nonmajor governmental funds, nonmajor enterprise funds, internal service funds, and fiduciary funds are as follows:

Due To	Due From					Total
	General	Measure Y Building Fund	Non-Major Governmental	Enterprise	Internal Service	
General	\$ -	\$ 80	\$ 104,696	\$613,309	\$290,014	\$1,008,099
Non-Major Governmental	552,827	21,108	-	-	2,951	576,886
Enterprise	2,305	-	550	-	56,999	59,854
Internal Service	286,652	-	3,079	54,271	-	344,002
Total	<u>\$841,784</u>	<u>\$ 21,188</u>	<u>\$ 108,325</u>	<u>\$667,580</u>	<u>\$349,964</u>	<u>\$1,988,841</u>

The balance of \$286,652 due to the Internal Service Fund from the General Fund resulted from health and welfare benefits paid for the end of year payroll.

The balance of \$552,827 due to the Special Reserve Nonmajor Governmental Fund from the General Fund resulted from redevelopment fee collections.

The balance of \$329,245 due to the General Fund from the Child Development Enterprise Fund resulted from payroll and support cost reimbursements.

The balance of \$284,064 due to the General Fund from the Cafeteria Enterprise Fund resulted from payroll and support cost reimbursements.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

All remaining balance resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

B. Operating Transfers

Interfund transfers for the year ended June 30, 2003, consisted of the following:

Transfer To	Transfer From				Total
	Due From				
	General	Measure Y Building Fund	Non-Major Governmental	Internal Service	
General	\$ -	\$ -	\$ 700,000	\$ 500,000	\$ 1,200,000
Non-Major Governmental	3,366,828	12,200,981	-	-	15,567,809
Total	<u>\$3,366,828</u>	<u>\$12,200,981</u>	<u>\$ 700,000</u>	<u>\$ 500,000</u>	<u>\$16,767,809</u>

The General Fund transferred to the Deferred Maintenance Fund for State match.	\$ 885,542
The General Fund transferred to the Special Reserve (Capital) Fund for redevelopment funds.	2,481,286
The Building Fund transferred to the Capital Facilities Fund for construction costs.	133,780
The Building Fund transferred to the County School Facilities Fund for 20 percent match for Prop 47 modernization projects.	8,159,144
The Building Fund transferred to the Special Reserve (Capital) Fund for construction costs.	3,908,057
The Special Reserve Fund transferred to the General Fund for construction costs (main support Yorba Linda students).	700,000
The Internal Service Fund transferred to the General Fund for one-time contribution for Workers Compensation costs incurred.	500,000
Total	<u>\$16,767,809</u>

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2003, consisted of the following:

	General	Measure Y Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Vendor payables	\$ -	\$ 19,107	\$ 57,624	\$ -	\$ 76,731
State apportionment	1,345,092	-	-	-	1,345,092
Salaries and benefits	7,759,987	-	44,042	-	7,804,029
Accrued vacation	217,394	-	-	-	217,394
Other operating services	1,977,724	-	-	-	1,977,724
Other significant payables	-	-	-	72,238	72,238
Construction	24,801	1,824,445	2,102,984	-	3,952,230
Total	\$11,324,998	\$1,843,552	\$ 2,204,650	\$ 72,238	\$ 15,445,438

	Major Enterprise Fund	Non-Major Enterprise Funds	Total Enterprise Funds	Fiduciary Fund
Vendor payables	\$ 20,497	\$ 47,066	\$ 67,563	\$ 120,173
State apportionment	-	-	-	-
Salaries and benefits	322,220	216,572	538,792	-
Accrued vacation	-	-	-	-
Other operating services	-	-	-	-
Other significant payables	-	-	-	-
Construction	-	-	-	-
Total	\$ 342,717	\$ 263,638	\$ 606,355	\$ 120,173

NOTE 7 – DEFERRED REVENUE

Deferred revenue at June 30, 2003, consists of the following:

	General
Federal financial assistance	\$ 1,111,383
State categorical aid	528,955
Total	\$ 1,640,338

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 8 – LONG-TERM LIABILITIES

A. Long-Term Debt Summary

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

	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003	Due in One Year
General obligation bonds	\$ 44,997,800	\$ 48,127	\$ -	\$ 45,045,927	\$ 1,825,000
Premium on issuance	736,564		29,463	707,101	-
Certificates of Participation	-	5,550,000	-	5,550,000	150,000
CFD Special Tax Bonds	-	5,505,000	-	5,505,000	-
Compensated absences	1,143,449	-	56,475	1,086,974	1,086,974
Capital leases	66,598	-	27,475	39,123	14,391
PARS supplementary retirement plan	1,524,837	4,664,583	988,753	5,200,667	1,650,067
	<u>\$ 48,469,248</u>	<u>\$ 15,767,710</u>	<u>\$ 1,102,166</u>	<u>\$ 63,134,792</u>	<u>\$ 4,726,432</u>

Payments for General obligation bonds are made in the Bond Interest and Redemption Fund. Compensated absences are typically liquidated in the General and other governmental funds. Payments for capital lease obligations are made in the General and Adult Education funds. The PARS supplementary retirement plan is liquidated in the General Fund.

B. Bonded Debt

2002 General Obligation Bonds, Series A

In June 2002, the District issued current and capital appreciation 2002 General Obligation Bonds, Series A, in the amount of \$44,997,800 (accreting to \$46,870,000). The bonds mature through August 2026, with interest yields from 1.65 to 6.87 percent. Proceeds from the sale of the bonds are used to provide funds to finance new school construction and additions to and modernation of school facilities.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

C. Debt Service Requirements to Maturity

The bonds mature as follows:

<u>Fiscal Year</u>	<u>Principal including accreted interest to date</u>	<u>Accreted interest</u>	<u>Current interest to maturity</u>	<u>Total</u>
2004	\$ 1,825,000	\$ -	\$ 2,069,431	\$ 3,894,431
2005	2,455,000	-	1,996,581	4,451,581
2006	750,000	-	1,939,856	2,689,856
2007	150,000	-	1,926,170	2,076,170
2008-2012	2,685,000	-	9,411,413	12,096,413
2013-2017	5,785,399	1,199,601	8,435,813	15,420,813
2018-2022	11,050,528	624,472	6,817,902	18,492,902
2023-2026	20,345,000	-	2,734,125	23,079,125
Total	<u>\$ 45,045,927</u>	<u>\$ 1,824,073</u>	<u>\$ 35,331,291</u>	<u>\$ 82,201,291</u>

D. Certificates of Participation

During May 2003, The District issued \$5,550,000 of 2003 Certificates of Participation, Series B, pursuant to a lease agreement between the District and the California School Boards Association Finance Corporation. The 2003 Series B Certificates of Participation are being issued to finance construction and equipping of certain new projects and other improvements to school facilities. The interest rate of the certificates ranges from 2.5 to 4.25 percent, and the bonds mature on February 1, 2024. At June 30, 2003, the principal balance outstanding was \$5,550,000.

The certificates mature as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 150,000	\$ 135,865	\$ 285,865
2005	150,000	209,836	359,836
2006	150,000	206,086	356,086
2007	160,000	202,336	362,336
2008	165,000	198,336	363,336
2009-2013	885,000	918,981	1,803,981
2014-2018	1,050,000	760,494	1,810,494
2019-2023	1,270,000	543,913	1,813,913
2024-2028	1,570,000	240,863	1,810,863
Total	<u>\$ 5,550,000</u>	<u>\$ 3,416,710</u>	<u>\$ 8,966,710</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

E. CFD Special Tax Bonds

During December 2002, the Placentia-Yorba Linda Unified School District Community Facilities District No. 1 issued \$5,505,000 of 2002 Special Tax Bonds pursuant to the Mello-Roos Community Facilities Act of 1982. The 2002 Special Tax Bonds are being issued to finance the acquisition and construction of certain school facilities of benefit to the student population of the District, to fund a reserve fund account, to pay interest on the Bonds through September 2004, to pay certain administrative expenses of the CFD, and to pay the costs of the bonds issuance. The interest rate of the bonds ranges from 2.90 to 5.95 percent, and the bonds mature through September 1, 2021. At June 30, 2003, the principal balance outstanding was \$5,505,000.

Year Ending June 30,	Principal	Interest	Total
2004	\$ -	\$ 263,513	\$ 263,513
2005	-	309,005	309,005
2006	95,000	307,628	402,628
2007	95,000	304,730	399,730
2008	100,000	301,360	401,360
2009-2013	575,000	1,436,348	2,011,348
2014-2018	720,000	1,273,083	1,993,083
2019-2023	950,000	1,037,880	1,987,880
2024-2028	1,270,000	709,500	1,979,500
2029-2033	1,700,000	267,000	1,967,000
Total	<u>\$ 5,505,000</u>	<u>\$ 6,210,047</u>	<u>\$ 11,715,047</u>

F. Accumulated Unpaid Employee Vacation

Accumulated unpaid employee vacation for the District at June 30, 2003, amounted to \$1,086,974.

G. Capital Leases

The District's liability on lease agreements with options to purchase are summarized below:

	Equipment
Balance, Beginning of Year	\$ 73,519
Payments	30,346
Balance, End of Year	<u>\$ 43,173</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

The capital leases have minimum lease payments as follows:

Year Ending June 30, 2002	Lease Payment
2004	\$ 14,391
2005	14,391
2006	14,391
Total	43,173
Less: Amount Representing Interest	4,050
Present Value of Minimum Lease Payments	<u>\$ 39,123</u>

H. PARS Supplementary Retirement Plan

On March 28, 2000, the Governing Board of the District adopted the PARS Supplementary Retirement Plan. Qualified applicants, with five or more years of employment, eligible to retire under STRS on or before July 1, 2000, and who have terminated employment effective June 17, 2000, are eligible for an annuity paid over a five-year period funded by a District contribution. Seventy-two employees have opted to participate in the plan. As of June 30, 2003, the remaining obligation is \$5,200,667.

Year Ending June 30, 2002	Payment
2004	\$ 1,650,067
2005	887,650
2006	887,650
2007	887,650
2008	887,650
Total	<u>\$ 5,200,667</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 9 – FUND BALANCES

Fund balances with reservations/designations are composed of the following elements:

	General	Measure Y Building Fund	Nonmajor Governmental Funds	Total
Reserved				
Revolving cash	\$ 169,000	\$ -	\$ -	\$ 169,000
Stores inventory	428,570	-	-	428,570
Prepaid expenditures	-	-	-	-
Restricted programs	4,379,238	-	-	4,379,238
Total Reserved	<u>4,976,808</u>	<u>-</u>	<u>-</u>	<u>4,976,808</u>
Unreserved				
Designated				
Economic uncertainties	12,891,029	-	-	12,891,029
Capital Projects	-	26,669,243	23,538,386	50,207,629
Adult Education	-	-	103,942	103,942
Deferred Maintenance	-	-	600,627	600,627
Debt Service	-	-	3,038,075	3,038,075
Total Designated	<u>12,891,029</u>	<u>26,669,243</u>	<u>27,281,030</u>	<u>66,841,302</u>
Undesignated	-	-	-	-
Total Unreserved	<u>12,891,029</u>	<u>26,669,243</u>	<u>27,281,030</u>	<u>66,841,302</u>
Total	<u>\$ 17,867,837</u>	<u>\$ 26,669,243</u>	<u>\$ 27,281,030</u>	<u>\$ 71,818,110</u>

NOTE 10 – POSTEMPLOYMENT BENEFITS

The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 5 or 10 years of service, depending on hire date and employee classification. Currently, 209 employees meet those eligibility requirements. The District contributes a fixed amount of the benefit with the employee usually paying a small portion of premiums incurred by retirees and their dependents. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis, as retirees report claims or premiums are paid. During the year, expenditures of \$982,209 were recognized for retirees' health care benefits.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 11 – RISK MANAGEMENT - CLAIMS

A. Property and Liability

The District’s risk management activities are recorded in the Self-Insurance Funds. Employee health and life benefits are provided for by a combination of purchased first dollar coverage (medical) and self-insured programs for dental and vision coverages. The District self-insures its exposures for workers’ compensation claims and purchases excess insurance for amounts in excess of its self-insured retention level. The District’s property and liability programs are administered through its respective self-insurance funds. Excess property and liability coverages are obtained through the public entity risk pool, Alliance of Schools for Cooperative Insurance Programs (ASCIP). (See Note 14 for additional information relating to public entity risk pools.)

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

B. Claims Liabilities

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

C. Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2000 to June 30, 2003 (in thousands):

	<u>Comprehensive Liability</u>	<u>Health and Welfare</u>	<u>Property Loss Risk</u>	<u>Workers' Compensation</u>	<u>Total</u>
Liability Balance, June 30, 2001	\$ 362,856	\$ 271,000	\$ 850	\$ 3,479,645	\$ 4,114,351
Claims and changes in estimates	319,409	2,285,152	62,693	1,366,964	4,034,218
Claims payments	<u>(382,265)</u>	<u>(2,222,296)</u>	<u>(62,693)</u>	<u>(1,366,964)</u>	<u>(4,034,218)</u>
Liability Balance, June 30, 2002	300,000	333,856	850	3,479,645	4,114,351
Claims and changes in estimates	448,506	1,128,763	191,972	1,473,906	3,243,147
Claims payments	<u>(385,650)</u>	<u>(1,191,619)</u>	<u>(191,972)</u>	<u>(1,473,906)</u>	<u>(3,243,147)</u>
Liability Balance, June 30, 2003	<u>\$ 362,856</u>	<u>\$ 271,000</u>	<u>\$ 850</u>	<u>\$ 3,479,645</u>	<u>\$ 4,114,351</u>
Assets available to pay claims at June 30, 2003	<u>\$ 1,011,138</u>	<u>\$ 635,316</u>	<u>\$ 786,448</u>	<u>\$ 3,599,400</u>	<u>\$ 6,032,302</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS

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

A. STRS

Plan Description

The District contributes to the California 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 and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2002-2003 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ending June 30, 2003, 2002, and 2001, were \$7,205,849, \$7,039,492, and \$6,617,696, respectively, and equal 100 percent of the required contributions for each year.

B. PERS

Plan Description

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

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2002-2003 was 2.894 percent of annual payroll (decreasing to 2.771 percent of pay under a special funding situation effective with the February 2003 payroll period due to the State's direct reimbursement to CalPERS of the cost for certain legislated benefit increases in the plan). The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2003 was \$1,826,564 and zero for each of the past two fiscal years, and equal 100 percent 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 the social security as its alternative plan.

D. On Behalf Payments

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 in the amount of \$4,030,772 (4.475 percent of salaries subject to STRS). A contribution to PERS was not required for the year ended June 30, 2003. 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 educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts also have not been recorded in these financial statements.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2003.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 14 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Alliance of Schools for Cooperative Insurance Programs (ASCIP) and the Schools Excess Liability Fund (SELF) public entity risk pools. In addition, the District is a member of North Orange County Regional Occupational Program (NOCROP), a joint powers authority, whose purpose is to provide vocational educational training. The District pays an annual premium to each entity. The relationships between the District, the pools and the entities are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

A. <u>Entity</u>	ASCIP	SELF	NOCROP
B. <u>Purpose</u>	Provides property and liability insurance	Arranges for and provides excess liability coverage	ROP Education
C. <u>Participants</u>	Los Angeles Office of Education, various school districts, community college districts and other public agencies	Various public educational agencies throughout California	Various school districts throughout Orange County
D. <u>Governing Board</u>	One member from each participating district	A representative from each public educational agency	One member from each participating district

E. Condensed Audited Financial Information Follows

	June 30, 2002*	June 30, 2002*	June 30, 2001*
Assets	\$ 62,924,849	\$ 112,123,757	\$ 5,857,282
Liabilities	42,685,065	64,483,431	3,869,023
Fund Equity	\$ 20,239,784	\$ 47,640,326	\$ 1,988,259
Revenues	21,725,981	25,828,579	19,251,115
Expenses	(20,001,553)	(11,022,709)	(19,049,192)
Net Increase (Decrease) in Fund Equity	\$ 1,724,428	\$ 14,805,870	\$ 201,923
F. <u>Payments for the Current Year</u>	\$ 586,653	\$ 12,708	\$ 1,605,888

* Most recent information available.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

None of the JPA's had long-term debts outstanding at June 30, 2002. The District's share of year-end assets, liabilities, or fund equity has not been calculated.

NOTE 15 – EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2003, the following District fund exceeded the budgeted amount in total as follows:

Funds	Expenditures and Other Uses		
	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Cafeteria	<u>\$ 5,362,705</u>	<u>\$ 5,600,887</u>	<u>\$ 238,182</u>

REQUIRED SUPPLEMENTARY INFORMATION

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PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2003**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	(GAAP Basis)			Positive
	Original	Final		(Negative) Final to Actual
REVENUES				
Revenue limit sources	\$127,731,852	\$127,918,545	\$ 128,956,693	\$ 1,038,148
Federal sources	7,709,476	9,622,272	7,957,251	(1,665,021)
Other state sources	34,574,624	32,504,121	31,914,910	(589,211)
Other local sources	2,958,745	6,695,234	6,672,779	(22,455)
Total Revenues	<u>172,974,697</u>	<u>176,740,172</u>	<u>175,501,633</u>	<u>(1,238,539)</u>
EXPENDITURES				
Current				
Instruction	112,344,304	120,003,222	113,550,287	6,452,935
Instruction-related activities:				
Supervision of instruction	7,763,977	8,549,145	7,343,667	1,205,478
Instructional library, media, and technology	623,381	1,452,549	1,137,215	315,334
School site administration	10,371,597	10,308,337	10,296,975	11,362
Pupil services:				
Home-to-school transportation	4,839,363	4,615,758	4,695,781	(80,023)
Food services	1,500	1,500	486	1,014
All other pupil services	5,869,690	5,882,935	5,825,727	57,208
General administration:				
Data processing	2,975,584	3,064,310	2,712,231	352,079
All other general administration	6,172,930	6,032,657	6,312,899	(280,242)
Plant services	19,799,483	19,552,362	18,479,314	1,073,048
Facility acquisition and construction	535,275	464,643	411,940	52,703
Ancillary services	-	-	-	-
Community services	2,197	67,418	69,558	(2,140)
Other outgo	-	-	-	-
Enterprise services	1,000,440	699,945	699,945	-
Debt service				
Principal	-	-	-	-
Interest	330,346	30,346	27,475	2,871
Capital outlay	-	-	16,907	(16,907)
Total Expenditures	<u>172,630,067</u>	<u>180,725,127</u>	<u>171,580,407</u>	<u>9,144,720</u>
Excess (Deficiency) of Revenues				
Over Expenditures	344,630	(3,984,955)	3,921,226	7,906,181
Other Financing Sources (Uses):				
Transfers in	-	1,103,560	1,200,000	96,440
Other sources	3,800,000	-	700,000	700,000
Transfers out	(3,985,542)	(3,366,828)	(3,366,828)	-
Other uses	(2,419,636)	(2,044,527)	(2,044,527)	-
Net Financing Sources (Uses)	<u>(2,605,178)</u>	<u>(4,307,795)</u>	<u>(3,511,355)</u>	<u>796,440</u>
NET CHANGE IN FUND BALANCES	<u>(2,260,548)</u>	<u>(8,292,750)</u>	<u>409,871</u>	<u>8,702,621</u>
Fund Balance - Beginning	17,457,966	17,457,966	17,457,966	-
Fund Balance - Ending	<u>\$ 15,197,418</u>	<u>\$ 9,165,216</u>	<u>\$ 17,867,837</u>	<u>\$ 8,702,621</u>

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

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SUPPLEMENTARY INFORMATION

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PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003**

Federal Grantor/Pass-Through Grantor/Program	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures
Passed through California Department of Education (CDE):			
Adult Basic Education	84.002	13973	\$ 315
Improving America's School Act (IASA)			
Title I - AFDC and Neglected [1]	84.010	03797	2,105,917
Title II - Eisenhower Math and Science	84.164	03699	42,070
Title II - Improving Teacher Quality [1]	84.367	10085	463,228
Title III - English Language Acquisition Program	84.365	10084	17,891
Title IV - Drug Free Schools	84.186	03453	125,418
Title VI - Innovative Strategies	84.298	03340	294,322
Title VI - Federal Class Size Reduction	84.340	03073	36,978
Title VII - Bilingual Education	84.288	10008	556,102
Title VIII - Reading Excellence Act [1]	84.338A	14155	521,997
Individuals with Disabilities Education Act (IDEA)			
Infant Discretionary [1]	84.027A	03612	2,972
Local Staff Development [1]	84.027A	03613	21,778
Low Incidence [1]	84.027A	03459	18,447
Local Assistance [1]	84.027A	03379	2,580,323
Federal Preschool [1]	84.173A	03430	133,921
Preschool Local Entitlement [1]	84.027A	03682	165,010
Preschool Staff Development [1]	84.173A	03431	2,403
Early Intervention Part C [1]	84.027A	03761	63,381
Advanced Placement Fee Payment Incentive	84.330	13317	6,952
Vocational Educational Grants			
Secondary Education	84.048	03924	142,361
Subtotal			<u>7,301,786</u>
Passed through CDE to Brea-Olinda USD-Special Education Grants			
Federal Preschool [1]	84.173A	03430	40,220
Preschool Local Entitlement [1]	84.027A	03682	53,187
Local Assistance [1]	84.027A	03379	564,716
Local Staff Development [1]	84.027A	03613	1,767
Subtotal			<u>659,890</u>
Total U.S. Department of Education			<u>7,961,676</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Basic School Breakfast Program	10.553	03525	117,385
Especially Needy Breakfast	10.553	03526	373,424
National School Lunch Program	10.555	03523	2,005,716
Food Commodities	10.550	03389	195,034
Total U.S. Department of Agriculture			<u>2,691,559</u>
Total Expenditures of Federal Awards			<u>\$ 10,653,235</u>

[1] Tested as a major program.

See accompanying note to supplementary information.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2003**

	Annual ADA <u>2002-2003</u>	Second Period ADA Amended <u>2002-2003</u>
ELEMENTARY		
Kindergarten	1,638	1,629
First through third	5,803	5,785
Fourth through sixth	6,118	6,112
Seventh and eighth	4,048	4,059
Home and hospital	5	4
Special Education - Master Plan	365	365
Special Education - Non-public	22	20
Extended Year Special Education - Mandated	32	32
Total Elementary	<u>18,031</u>	<u>18,006</u>
SECONDARY		
Regular classes	6,796	6,827
Continuation education	248	256
Home and hospital	8	7
Special Education - Master Plan	216	216
Special Education - Non-public	13	13
Extended Year Special Education - Mandated	14	14
Total Secondary	<u>7,295</u>	<u>7,333</u>
Total K-12	<u>25,326</u>	<u>25,339</u>
REGIONAL OCCUPATIONAL CENTERS - MANDATED		
	<u>509</u>	<u>465</u>
CLASSES FOR ADULTS		
Concurrently enrolled	59	60
Not concurrently enrolled	117	122
Independent study	48	48
Total Classes for Adults	<u>224</u>	<u>230</u>
Grand Total	<u>26,059</u>	<u>26,034</u>
 SUMMER SCHOOL/INTERSESSION- ANNUAL PUPIL HOURS OF ATTENDANCE		
Core academic programs		95,089
Students not meeting proficiency standards		<u>417,768</u>
Total Hours		<u>512,857</u>

See accompanying note to supplementary information.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2003**

Grade Level	1986-87	1986-87	2002-03	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	36,000	36,000	180	-	Complied
Grades 1 - 3	50,400	50,585	55,152	180	-	Complied
Grades 4 - 6	54,000	54,890	55,152	180	-	Complied
Grades 7 - 8	54,000	54,890	55,152	180	-	Complied
Grades 9 - 12	64,800	64,942	65,095	180	-	Complied

NOTE: The minutes for 1982-83 are not available. The District at that time was two separate entities: Placentia Unified School District and Yorba Linda School District. Since there is documentation that the 1986-87 minutes exceeded 1982-83 minutes, the 1986-87 minutes will be used as the base year. Based on audit reports for the two Districts, the 1986-87 instructional minutes were in compliance.

See accompanying note to supplementary information.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	<u>General Fund</u>
FUND BALANCE	
Balance, June 30, 2003, Unaudited Actuals	\$ 16,829,689
Decrease in:	
Accounts payable	<u>1,038,148</u>
Balance, June 30, 2003, Audited Financial Statement	<u>\$ 17,867,837</u>

See accompanying note to supplementary information.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2003**

	(Adopted July Budget) 2004 ¹	2003	2002	2001
GENERAL FUND				
Revenues	\$ 170,455,078	\$ 175,501,633	\$ 174,173,038	\$ 168,727,082
Other sources and transfers in	700,000	1,900,000	1,553,969	-
Total Revenues and Other Sources	171,155,078	177,401,633	175,727,007	168,727,082
Expenditures	172,115,305	171,580,407	173,417,512	165,187,460
Other uses and transfers out	750,000	5,411,355	1,620,562	2,012,156
Total Expenditures and Other Uses	172,865,305	176,991,762	175,038,074	167,199,616
INCREASE (DECREASE) IN FUND BALANCE	\$ (1,710,227)	\$ 409,871	\$ 688,933	\$ 1,527,466
ENDING FUND BALANCE	\$ 16,157,610	\$ 17,867,837	\$ 17,457,966	\$ 16,769,033
AVAILABLE RESERVES ²	\$ 10,142,653	\$ 12,891,029	\$ 10,946,009	\$ 8,127,956
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	5.87%	7.28%	6.25%	4.86%
LONG-TERM DEBT	N/A	\$ 63,134,792	\$ 48,469,248	\$ 5,372,294
AVERAGE DAILY ATTENDANCE AT P-2 ³	25,476	25,339	25,092	24,743

The General Fund balance has increased by \$1,098,804 over the past two years. The fiscal year 2003-2004 budget projects a decrease of \$1,710,227 (9.5 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in all of the past three years, but anticipates incurring an operating deficit during the 2003-2004 fiscal year. Total long-term debt has increased by \$57,762,498 over the past two years.

Average daily attendance has increased by 596 over the past two years. An increase of 137 ADA is anticipated during fiscal year 2003-2004.

¹ Budget 2004 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund.

³ Excludes Adult Education and ROP/C ADA.

See accompanying note to supplementary information.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2003**

	Adult Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund
ASSETS				
Deposits and investments	\$ 101,738	\$ 654,375	\$ 1,960,843	\$ 8,795,356
Receivables	59,958	714	103,923	9,423
Due from other funds	953	-	680	21,108
Total Assets	\$ 162,649	\$ 655,089	\$ 2,065,446	\$ 8,825,887
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	28,670	54,462	124,394	1,596,311
Due to other funds	30,037	-	75,565	-
Total Liabilities	58,707	54,462	199,959	1,596,311
Fund Balances:				
Unreserved:				
Undesignated, reported in:				
Special revenue funds	103,942	600,627	-	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	1,865,487	7,229,576
Total Fund Balances	103,942	600,627	1,865,487	7,229,576
Total Liabilities and Fund Balances	\$ 162,649	\$ 655,089	\$ 2,065,446	\$ 8,825,887

See accompanying note to supplementary information.

Special Reserve Capital Outlay Fund	CFD Fund	COP Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
\$ 3,660,693	\$ 5,218,893	\$ 5,408,790	\$ 3,035,005	\$ 28,835,693
4,338	-	-	3,070	181,426
554,145	-	-	-	576,886
<u>\$ 4,219,176</u>	<u>\$ 5,218,893</u>	<u>\$ 5,408,790</u>	<u>\$ 3,038,075</u>	<u>\$ 29,594,005</u>
400,813	-	-	-	2,204,650
2,723	-	-	-	108,325
<u>403,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,312,975</u>
-	-	-	-	704,569
-	-	-	3,038,075	3,038,075
3,815,640	5,218,893	5,408,790	-	23,538,386
<u>3,815,640</u>	<u>5,218,893</u>	<u>5,408,790</u>	<u>3,038,075</u>	<u>27,281,030</u>
<u>\$ 4,219,176</u>	<u>\$ 5,218,893</u>	<u>\$ 5,408,790</u>	<u>\$ 3,038,075</u>	<u>\$ 29,594,005</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2003**

	Adult Fund	Deferred Maintenance Fund	Capital Facilities Fund
REVENUES			
Revenue limit sources	\$ 454,811	\$ -	\$ -
Federal sources	315	-	-
Other state sources	-	837,921	-
Other local sources	19,599	9,963	2,631,453
Total Revenues	<u>474,725</u>	<u>847,884</u>	<u>2,631,453</u>
EXPENDITURES			
Current			
Instruction	261,345	-	-
Instruction-related activities:			
School site administration	192,896	-	-
General administration:			
All other general administration	22,344	-	74,532
Plant services	-	867,642	3,102
Facility acquisition and construction	-	599,559	2,047,943
Other outgo	-	-	-
Debt service			
Interest and other	-	-	-
Total Expenditures	<u>476,585</u>	<u>1,467,201</u>	<u>2,125,577</u>
Excess (Deficiency) of			
Revenues Over Expenditures	<u>(1,860)</u>	<u>(619,317)</u>	<u>505,876</u>
Other Financing Sources (Uses):			
Transfers in	-	885,542	133,780
Other sources	-	-	-
Transfers out	-	-	-
Net Financing Sources (Uses)	<u>-</u>	<u>885,542</u>	<u>133,780</u>
NET CHANGE IN FUND BALANCES	<u>(1,860)</u>	<u>266,225</u>	<u>639,656</u>
Fund Balance - Beginning	105,802	334,402	1,225,831
Fund Balance - Ending	<u>\$ 103,942</u>	<u>\$ 600,627</u>	<u>\$ 1,865,487</u>

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Capital Fund	CFD Fund	COP Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 454,811
-	-	-	-	-	315
-	-	-	-	64,105	902,026
44,471	86,480	24,424	-	4,268,089	7,084,479
<u>44,471</u>	<u>86,480</u>	<u>24,424</u>	<u>-</u>	<u>4,332,194</u>	<u>8,441,631</u>
-	-	-	-	-	261,345
-	-	-	-	-	192,896
-	-	-	68,636	-	165,512
-	6,951	-	-	-	877,695
1,939,259	4,223,505	138,722	-	-	8,948,988
-	-	63,517	-	-	63,517
-	-	-	-	1,294,119	1,294,119
<u>1,939,259</u>	<u>4,230,456</u>	<u>202,239</u>	<u>68,636</u>	<u>1,294,119</u>	<u>11,804,072</u>
<u>(1,894,788)</u>	<u>(4,143,976)</u>	<u>(177,815)</u>	<u>(68,636)</u>	<u>3,038,075</u>	<u>(3,362,441)</u>
8,159,144	6,389,343	-	-	-	15,567,809
-	-	5,396,708	5,477,426	-	10,874,134
-	(700,000)	-	-	-	(700,000)
<u>8,159,144</u>	<u>5,689,343</u>	<u>5,396,708</u>	<u>5,477,426</u>	<u>-</u>	<u>25,741,943</u>
6,264,356	1,545,367	5,218,893	5,408,790	3,038,075	22,379,502
965,220	2,270,273	-	-	-	4,901,528
<u>\$ 7,229,576</u>	<u>\$ 3,815,640</u>	<u>\$ 5,218,893</u>	<u>\$ 5,408,790</u>	<u>\$ 3,038,075</u>	<u>\$ 27,281,030</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**GENERAL FUND SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2003**

(Amounts in thousands)

	Actual Results for the Years					
	2002-2003		2001-2002		2000-2001	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	\$ 7,957	4.5	\$ 7,810	4.5	\$ 6,141	3.6
State and local revenue included in revenue limit	128,957	73.5	123,780	71.0	117,745	69.8
Other state revenue	31,915	18.2	38,070	21.9	39,754	23.6
Other local revenue	6,673	3.8	4,513	2.6	5,087	3.0
Total Revenues	<u>175,502</u>	<u>100.0</u>	<u>174,173</u>	<u>100.0</u>	<u>168,727</u>	<u>100.0</u>
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	92,244	52.6	91,311	52.4	85,907	50.9
Classified salaries	27,914	15.9	27,546	15.8	25,525	15.2
Employee benefits	26,666	15.2	25,186	14.5	21,336	12.6
Total Salaries and Benefits	146,824	83.7	144,043	82.7	132,768	78.7
Books and supplies	9,059	5.2	11,604	6.7	8,401	5.0
Contracts and operating expenses	16,005	9.2	14,862	8.5	13,992	8.3
Capital outlay	405	0.2	1,473	0.8	4,787	2.8
Other outgo	(756)	(0.4)	1,364	0.9	5,192	3.1
Debt service - interest and other	44	-	72	0.1	48	0.1
Total Expenditures	<u>171,581</u>	<u>97.8</u>	<u>173,418</u>	<u>99.7</u>	<u>165,188</u>	<u>98.0</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,921	2.2	755	0.3	3,539	2.0
OTHER FINANCING SOURCES (USES)						
Net financing uses	(3,511)	(2.0)	(66)	(0.1)	(2,012)	(1.2)
INCREASE (DECREASE) IN FUND BALANCE	<u>410</u>	<u>0.2</u>	<u>689</u>	<u>0.2</u>	<u>1,527</u>	<u>0.8</u>
FUND BALANCE, BEGINNING	<u>17,458</u>		<u>16,769</u>		<u>15,242</u>	
FUND BALANCE, ENDING	<u>\$ 17,868</u>		<u>\$ 17,458</u>		<u>\$ 16,769</u>	

See accompanying note to supplementary information.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**CAFETERIA FUND SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2003**

(Amounts in thousands)

	Actual Results for the Years					
	2002-2003		2001-2002		2000-2001	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal - NSLP	\$ 2,496	47.0	\$ 2,538	46.5	\$ 2,409	46.9
State meal program	158	3.0	171	3.4	154	3.0
Food sales	2,623	49.3	2,486	48.7	2,519	49.0
Other	35	0.7	69	1.4	58	1.1
Total Revenues	<u>5,312</u>	<u>100.0</u>	<u>5,264</u>	<u>100.0</u>	<u>5,140</u>	<u>100.0</u>
EXPENDITURES						
Salaries and employee benefits	2,529	47.6	2,409	45.8	2,011	39.1
Food	2,627	49.5	2,536	48.2	2,544	49.5
Supplies	140	2.6	190	3.6	60	1.2
Other	305	5.7	861	16.3	299	5.8
Total Expenditures	<u>5,601</u>	<u>105.4</u>	<u>5,996</u>	<u>113.9</u>	<u>4,914</u>	<u>95.6</u>
INCREASE/(DECREASE) IN FUND BALANCE	<u>(289)</u>	<u>(5.4)</u>	<u>(732)</u>	<u>(13.9)</u>	<u>226</u>	<u>4.4</u>
FUND BALANCE, BEGINNING	2,764		3,496		3,270	
FUND BALANCE, ENDING	<u>\$ 2,475</u>		<u>\$ 2,764</u>		<u>\$ 3,496</u>	
ENDING FUND BALANCE TO TOTAL REVENUES		<u>46.6</u>		<u>52.5</u>		<u>68.0</u>

* * * * *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2002-2003		2001-2002		2000-2001	
	Amount	Percent	Amount	Percent	Amount	Percent
TYPE 'A' LUNCHES						
Paid	717,034	44.1	724,047	45.4	740,838	46.3
Reduced price	197,817	12.2	165,991	10.4	155,524	9.7
Free	709,396	43.7	705,714	44.2	703,138	44.0
Total Lunches	<u>1,624,247</u>	<u>100.0</u>	<u>1,595,752</u>	<u>100.0</u>	<u>1,599,500</u>	<u>100.0</u>
BREAKFAST						
Paid	121,595	25.7	125,444	26.7	147,453	29.2
Reduced price	63,286	13.4	57,193	12.2	56,481	11.2
Free	287,794	60.9	286,528	61.1	300,278	59.6
Total Breakfast	<u>472,675</u>	<u>100.0</u>	<u>469,165</u>	<u>100.0</u>	<u>504,212</u>	<u>100.0</u>

See accompanying note to supplementary information.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2003

NOTE 1 – PURPOSE OF SCHEDULES

A. Schedule of Expenditures of Federal Awards

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

B. Average Daily Attendance

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

C. Schedule of Instructional Time

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

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

D. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

E. Schedule of Financial Trends and Analysis

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

F. Combining Statements

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

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2003**

G. General Fund Selected Financial Information

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the General Fund for the past three years.

H. Cafeteria Fund Selected Financial Information

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the cafeteria account for the past three years.

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INDEPENDENT AUDITORS' REPORTS

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

Governing Board
Placentia-Yorba Linda Unified School District
Placentia, California

We have audited the financial statements of Placentia-Yorba Linda Unified School District as of and for the year ended June 30, 2003, and have issued our report thereon dated September 26, 2003. 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Placentia-Yorba Linda Unified School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Placentia-Yorba Linda Unified School District in a separate letter dated September 26, 2003.

This report is intended for the information and use of the Governing Board, audit committee, management, the California Department of Education, the State Controller's Office, 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.

Vavrinak, Trine, Day + Co., LLP

Rancho Cucamonga, California
September 26, 2003



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

Governing Board
Placentia-Yorba Linda Unified School District
Placentia, California

Compliance

We have audited the compliance of Placentia-Yorba Linda Unified School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2003. Placentia-Yorba Linda Unified School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Placentia-Yorba Linda Unified School District's management. Our responsibility is to express an opinion on Placentia-Yorba Linda Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States 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 Placentia-Yorba Linda Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Placentia-Yorba Linda Unified School District's compliance with those requirements.

In our opinion, Placentia-Yorba Linda Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of Placentia-Yorba Linda Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Placentia-Yorba Linda Unified School District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Governing Board, audit committee, management, the California Department of Education, the State Controller's Office, 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.

Varinck, Irvine, Day & Co., LLP

Rancho Cucamonga, California
September 26, 2003



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
 Placentia-Yorba Linda Unified School District
 Placentia, California

We have audited the financial statements of the Placentia-Yorba Linda Unified School District as of and for the year ended June 30, 2003, and have issued our report thereon dated September 26, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The management of Placentia-Yorba Linda Unified School District is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the Placentia-Yorba Linda Unified School District's compliance with the State laws and regulations applicable to the following items:

	Procedures in Controller's Audit Guide	Procedures Performed
Attendance accounting		
Attendance reporting	4	Yes
Kindergarten continuation	3	Yes
Independent study	13	Yes
Continuation education	11	Yes
Adult education	8	Yes
Regional occupational centers/programs	4	No, See below
Staff development days	3	Yes
Incentives for longer instructional day:		
School district	4	Yes
County Offices of Education	4	Not Applicable
GANN limit calculation	1	Yes
Early retirement incentive program (STRS)	5	Not Applicable

	Procedures in Controller's Audit Guide	Procedures Performed
Community day schools	8	Not Applicable
Class size reduction program:		
Option one classes	10	Not Applicable
Option two classes	9	Not Applicable
Option one and two classes	14	Yes
Program to reduce class size in two courses in grade 9	8	Yes
State Instructional Materials Fund:		
Instructional Materials Funding Realignment Program	9	Yes
Schiff-Bustamante Standards-Based Instructional Materials	9	Yes
Digital High School Education Technology Grant Program	5	Yes
California Public School Library Act of 1998	4	Yes
Ratios of Administrative Employees to Teachers	3	Yes
Office of Criminal Justice Planning	-	Not Applicable

We did not perform testing for the ROP because ROP ADA is the responsibility of the ROP's auditors.

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

This report is intended solely for the information and use of the Governing Board, audit committee, management, the California Department of Education, the State Controller's Office, 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.

Varinich, Irine, Day & Co., LLP

Rancho Cucamonga, California
September 26, 2003

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2003**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	
Identification of major programs:	<u>No</u>

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027A, 84.173A</u>	<u>Special Education Cluster</u>
<u>84.01</u>	<u>Title I - AFDC and Neglected</u>
<u>84.367</u>	<u>Title II - Improving Teacher Quality</u>
<u>84.338A</u>	<u>Title VIII - Reading Excellence Act</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 319,597</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for state programs:	<u>Unqualified</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2003**

There were no findings representing reportable conditions, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003**

There were no findings representing reportable conditions, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003**

There were no findings representing instances of noncompliance and questioned costs relating to State program laws and regulations.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2003**

There were no audit findings reported in the prior year's schedule of financial statement findings.

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September 26, 2003

Governing Board
Placentia-Yorba Linda Unified School District
Placentia, California

In planning and performing our audit of the financial statements of Placentia-Yorba Linda Unified School District, for the year ended June 30, 2003, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated September 26, 2003, on the combining financial statements of Placentia-Yorba Linda Unified School District.

INTERNAL CONTROL

Site Cash

Glenview Elementary

Finding

Money collected for lost and damaged text and library books is not transmitted to the District in a timely manner. Additionally, the librarian receipts the money collected for these books at point of collection, but the secretary does not issue the librarian a receipt when the cash is turned in for transmittal to the District. Rather copies of all of the librarian's receipts are attached to the transmittal.

Recommendation

All money collected should be receipted by the individual at point of collection. Additionally, all money collected should be transmitted to the District in a timely manner.

Rio Vista Elementary, Bryant Ranch Elementary

Finding

Auditor was unable to verify all receipts in a test month to the transmittals forwarded to the District.

Governing Board
Placentia-Yorba Linda Unified School District
September 26, 2003

Recommendation

All money collected needs to be transmitted to the District intact and in a timely manner. Additionally, for Rio Vista, a transmittal form should be prepared for all money sent to the District with a copy kept on file at the site.

ASSOCIATED STUDENT BODY FUNDS

Kraemer Middle School

Finding

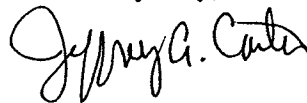
The site is preparing a ticket sale analysis form which calculates the number of tickets sold and the total revenue generated based on the selling price per ticket. However, a master ticket log is not being used by the site to account for all tickets on hand and used during the year.

Recommendation

A master ticket log should be maintained which notes the type of ticket, color, and current beginning ticket number in the roll. The tickets should be safeguarded as if they were cash because stolen tickets would equate to lost revenue for the site because these tickets could be presented for admission rather than an individual paying for admission. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the form should be reconciled to the log.

We will review the status of the current year comments during our next audit engagement.

Yours very truly,



Jeffrey A. Carter
of VAVRINEK, TRINE, DAY & CO., LLP

JAC/cmc