

**PLACENTIA-YORBA LINDA
UNIFIED SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2004

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

OF ORANGE COUNTY

PLACENTIA, CALIFORNIA

JUNE 30, 2004

GOVERNING BOARD

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

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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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, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2004, 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, each major fund, and the aggregate remaining fund information of the Placentia-Yorba Linda Unified School District, as of June 30, 2004, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2004, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 13 and budgetary comparison information on page 52, 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.

Vavrusk, Trine, Day & Co., LLP

Rancho Cucamonga, California
September 17, 2004

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 2004 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2004. 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, 2004

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, 2004

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, 2004

THE DISTRICT AS A WHOLE

Net Assets

The difference between the District's assets and liabilities – is one way to measure the District's financial health and position.

Total net assets increased by \$55.2 million due to the District's continued investments in its schools through modernization and new construction. Included in the net amount is long-term debt, see page 39.

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)	2004			2003		
	Governmental Activities	Business-Type Activities	School District Activities	Governmental Activities	Business-Type Activities	School District Activities
Current and other assets	\$ 142.2	\$ 4.9	\$ 147.1	\$ 95.2	\$ 8.0	\$ 103.2
Capital assets	160.8	2.2	163.0	80.7	2.2	82.9
Total Assets	303.0	7.1	310.1	175.9	10.2	186.1
Current liabilities	32.9	0.6	33.5	21.7	0.6	22.3
Long-term debt	113.1	-	113.1	63.1	-	63.1
Total Liabilities	146.0	0.6	146.6	84.8	0.6	85.4
Net assets						
Invested in capital assets, net of related debt	48.5	2.2	50.7	18.7	2.2	20.9
Restricted	98.0	-	98.0	58.3	-	58.3
Unrestricted	10.5	4.3	14.8	14.1	7.4	21.5
Total Net Assets	\$ 157.0	\$ 6.5	\$ 163.5	\$ 91.1	\$ 9.6	\$ 100.7

Major items included in total net assets are as follows:

1. Issuance of voter approved General Obligation Bond Series B, Measure Y - \$30 million.
2. Proposition 47 School Facilities Funding - \$58 million.
3. Purchase of North Orange County Community College District property for future use of an additional high school in Yorba Linda -\$16.6 million.

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 15. Table 2 links 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, 2004

Table 2

(Amounts in millions)	2004			2003		
	Governmental Activities	Business-Type Activities	School District Activities	Governmental Activities	Business-Type Activities	School District Activities
Revenues						
<u>Program revenues:</u>						
Charges for services	\$ 5.2	\$ 7.3	\$ 12.5	\$ 5.4	\$ 6.9	\$ 12.3
Operating grants and contributions	35.7	2.8	38.5	32.7	2.8	35.5
Capital grants and contributions	58.0	-	58.0	-	-	-
<u>General revenues:</u>						
State revenue limit sources	62.8	-	62.8	58.0	-	58.0
Property taxes	77.9	-	77.9	73.1	-	73.1
Other general revenues	6.4	0.1	6.5	11.3	0.1	11.4
Total Revenues	246.0	10.2	256.2	180.5	9.8	190.3
Expenses						
Instruction related	138.2	-	138.2	143.2	-	143.2
Student support services	10.8	-	10.8	10.6	-	10.6
Administration	7.9	-	7.9	8.4	-	8.4
Maintenance and operations	24.2	-	24.2	19.9	-	19.9
Other	6.6	13.3	19.9	5.0	10.2	15.2
Total Expenses	187.7	13.3	201.0	187.1	10.2	197.3
Excess (Deficiency)	58.3	(3.1)	55.2	(6.6)	(0.4)	(7.0)
Change in Net Assets	\$ 58.3	\$ (3.1)	\$ 55.2	\$ (6.6)	\$ (0.4)	\$ (7.0)

Governmental Activities

The District's net assets increased by \$58.3 million from 2003. This major increase of the District's financial position came from the School Facilities Grant Program, Proposition 47, funding for new construction and modernization of school sites.

1. The total expenses of all governmental activities this year was \$187.7 million.
2. Most of the District's costs were paid by the taxpayer.
3. Federal and State governments subsidized certain programs with grants and contributions - \$35.7 million.
4. Fee based programs were paid for by the end users of the District's programs - \$5.2 million.

Net Cost of Governmental Activities

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 we discussed above, net cost (total cost less fees generated by the activities and intergovernmental aid provided for by the specific program) 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.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004

Table 3

(Amounts in millions)	2004		2003	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 127.2	\$ 40.0	\$ 131.8	\$ 104.7
Other Pupil services	10.8	6.8	10.6	7.4
School administration	11.0	10.7	11.4	11.1
General administration	7.9	7.4	8.4	7.8
Maintenance and operations	24.2	23.6	19.9	19.0
Other	6.6	0.2	5.0	1.1
Totals	\$ 187.7	\$ 88.7	\$ 187.1	\$ 151.1

Net cost of services decreased due mainly to funds received from the School Facilities Grant Program - \$58 million.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$108.3 million and \$71.8 million for June 30, 2004 and June 30, 2003, respectively, which was an increase of \$36.5 million from this year (Table 4).

Table 4

(Amounts in millions)	Fund Balance	
	June 30, 2004	June 30, 2003
General	\$ 13.1	\$ 17.9
Measure Y Building	32.1	26.7
County School Facilities	43.1	7.2
Adult Education	0.1	0.1
Deferred Maintenance	0.5	0.6
Bond Interest and Redemption	3.5	3.0
Capital Facilities	1.0	1.9
Special Reserve - Capital	8.2	3.8
Other - COP and CFD	6.7	10.6
Totals	\$ 108.3	\$ 71.8

The primary reasons for the increase in total for all funds are as follows:

1. Measure Y Building Fund – Increase in funds due to issuance of Series B.
2. County School Facilities Fund – School facility grant received, Proposition 47.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2004

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

Balance Sheet	Pg. 16
Statement of Revenues, Expenditures and Changes in Fund Balance	Pg. 18
Receivables	Pg. 34
Accounts Payable	Pg. 38
Fund Balances	Pg. 45

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 52.

- Significant revenue revisions made to the 2003-2004 Budget were due to deferred income (funds that were deferred and budgeted subsequent to the original budget) and newly acquired grant awards.
- Actual expenditures were less than final budgeted amount. The District budgets specific programs as though all funds will be spent. If balances occur at year end, then they are carried over and re-budgeted in the following year.

Carryover of Specific Programs are as follows:

1. All restricted programs, not including Special Ed. Master Plan and Transportation.
2. Unrestricted programs include Unit Resource, Medi-Cal Admin. activity, Block Grants, Star Testing, Governor's Reading Program and Governor's Performance High Achievement.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004 and June 30, 2003, the District had \$163.0 million and \$82.9 million in a broad range of capital assets, including land, buildings, and furniture and equipment, net of accumulation of depreciation (Table 5).

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004

Table 5

(Amounts in millions)	2004			2003		
	Governmental	Business-Type	Totals	Governmental	Business-Type	Totals
	Activities	Activities		Activities	Activities	
Land and construction in process	\$ 103.5	\$ -	\$ 103.5	\$ 40.1	\$ 0.1	\$ 40.2
Buildings and improvements	54.0	2.1	56.1	37.6	1.9	39.5
Equipment	3.3	0.1	3.4	3.0	0.2	3.2
Totals	\$ 160.8	\$ 2.2	\$ 163.0	\$ 80.7	\$ 2.2	\$ 82.9

Capital assets increased due to activity on construction projects at various school sites. The work performed were in the areas of new construction, modernization, playground equipment, lunch shelters, relocatables, and site improvements. See Note 4 on page 35 for additional information.

Outstanding Debt

Table 6

(Amounts in millions)	2004			2003		
	Governmental	Business-Type	Totals	Governmental	Business-Type	Totals
	Activities	Activities		Activities	Activities	
General obligation bonds (Financed with property taxes)	\$ 76.4	\$ -	\$ 76.4	\$ 45.7	\$ -	\$ 45.7
Community facilities district	5.5	-	5.5	5.5	-	5.5
Certificates of participation	22.0	-	22.0	5.6	-	5.6
Compensated absences	0.7	-	0.7	1.1	-	1.1
Capitalized lease obligations	4.9	-	4.9	0.0	-	0.0
PARS supplementary retirement plan	3.6	-	3.6	5.2	-	5.2
Totals	\$ 113.1	\$ -	\$ 113.1	\$ 63.1	\$ -	\$ 63.1

Debt Increase's occurred as follows:

- General Obligation Bonds – Series B issued for the amount of \$30 million.
- Certificates of Participation – the borrowing of funds to purchase North Orange County Community College District Property – \$16.6 million.
- Capitalized Lease Obligations – Lease agreement with Suntrust Leasing Corporation to pay for energy savings for purchase of equipment and site improvements – \$4.9 million.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2004

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2004-2005 year, the District board and management used the following assumptions:

The Summary of Assumptions are as follows:

INCOME

Revenue Sources

- Cost of Living Adjustment (COLA) of 2.41% and a deficit of 2.143%.
- Student Growth of 240.
- State Revenue Sources.
- COLA and growth for statutorily authorized categorical programs.
- Class Size Reduction.
 - Grades 1-2, \$928 per enrolled student.
 - Kindergarten: \$464 per enrolled student.
- Staff Development Buyout.
 - \$306.50 per day for Certificated (3 days).
 - \$158.92 per day for Classified (1 day).
- State Lottery: \$123 per ADA.
 - \$111 per ADA Unrestricted.
 - \$12 per ADA for Proposition 20 (instructional materials, textbooks, etc.).
- Deferred Maintenance 70-72% of ½ percent of 1% level.
- Educational Pool Interest Earned at a rate of 1%.

EXPENDITURES

Certificated Salaries

- Budgeted additional \$1.8 million for certificated employees step and column movements.
- Reduction of certificated salaries due to early retirement incentive given.
- Since negotiations for the 2004-2005 fiscal year have not begun, no salary cost-of-living adjustments have been budgeted.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004

Classified Salaries

- Budgeted additional \$700,000 for classified employees step and column and longevity movements.
- Since negotiations for the 2004-2005 fiscal year have not begun, no salary cost-of-living adjustments have been budgeted.

Estimated Employee Benefits

- Health and Welfare benefit: \$7,688.56.
- Rates:
 - State Teachers' Retirement System (STRS): 8.25%.
 - Public Employees Retirement System (PERS): 9.952%.
 - PERS Reduction (recapture by State of PERS expense savings): 3.068%.
 - Social Security (OASDI): 6.20%.
 - Medicare: 1.45%.
 - Unemployment Insurance: .65% (100% plus increase over last year).
 - Workers' Compensation (contribution to Self-Insurance Fund): 1.58%.

Other Services and Operating Expenditures

- Contribution to Comprehensive Property and Liability Insurance Funds: \$500,000.
- Early Retirement incentive (PARS Retirement Plan), started 2003-2004 \$887,650.

Other Financing Sources/Uses

- Transfer to Deferred Maintenance Fund as State match: \$900,000.
- Contributions to Restricted Programs (encroachment): \$8,866,883.

We anticipate a minimum 4.1% reserve for the 2004-2005 year end unrestricted fund balance.

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.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2004

Assets	Governmental Activities	Business-Type Activities	Total
Deposits and investments	\$ 128,946,062	\$ 4,163,371	\$ 133,109,433
Receivables	10,967,041	836,956	11,803,997
Internal balances	325,813	(325,813)	-
Prepaid expenses	1,486,805	-	1,486,805
Stores inventories	496,980	230,326	727,306
Capital assets			
Land and construction in process	103,572,343	-	103,572,343
Other capital assets	108,886,707	2,998,725	111,885,432
Less: Accumulated depreciation	(51,624,326)	(758,446)	(52,382,772)
Total capital assets	160,834,724	2,240,279	163,075,003
Total Assets	\$ 303,057,425	\$ 7,145,119	\$ 310,202,544
Liabilities			
Accounts payable	\$ 25,336,809	\$ 652,200	\$ 25,989,009
Accrued interest	1,117,535	-	1,117,535
Deferred revenue	1,348,391	-	1,348,391
Claims liability	5,114,351	-	5,114,351
Long-term liabilities			
Current portion of long-term obligations	3,882,459	-	3,882,459
Noncurrent portion of long-term obligations	109,246,611	-	109,246,611
Total long-term liabilities	113,129,070	-	113,129,070
Total Liabilities	146,046,156	652,200	146,698,356
Net Assets			
Invested in capital assets, net of related debt	48,454,456	2,240,279	50,694,735
Restricted for:			
Debt service	6,328,498	-	6,328,498
Capital projects	88,358,778	-	88,358,778
Educational programs	2,810,012	-	2,810,012
Other activities	549,517	-	549,517
Unrestricted	10,510,008	4,252,640	14,762,648
Total Net Assets	\$ 157,011,269	\$ 6,492,919	\$ 163,504,188

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, 2004**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 119,405,288	\$ 492,285	\$ 23,048,751	\$ 58,022,416
Instruction-related activities:				
Supervision of instruction	7,038,495	789,074	4,782,268	-
Instructional library, media and technology	740,011	-	40,583	-
School site administration	11,000,528	3,292	258,904	-
Pupil services:				
Home-to-school transportation	4,924,723	215,120	1,921,727	-
Food services	20,083	-	-	-
All other pupil services	5,860,648	70,768	1,794,327	-
General administration:				
Data processing	2,733,676	-	-	-
All other general administration	5,154,883	59,391	391,483	-
Plant services	19,719,281	18,968	609,736	-
Facility acquisition and construction	4,479,869	-	-	-
Community services	57,463	-	57,463	-
Enterprise services	499,565	-	-	-
Interest on long-term debt	3,573,215	-	-	-
Other outgo	2,473,912	3,554,953	2,784,913	-
Total Governmental-Type Activities	187,681,640	5,203,851	35,690,155	58,022,416
Business-Type Activities:				
Food services	5,977,612	2,700,505	2,739,073	-
Child development	4,402,845	4,597,400	145,911	-
Total Business-Type Activities	10,380,457	7,297,905	2,884,984	-
Total School District	\$ 198,062,097	\$ 12,501,756	\$ 38,575,139	\$ 58,022,416

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
Excess (Deficiency) of Revenues Over Expenses
 Transfers between funds
Total General Revenues and Transfers
Change in Net Assets
 Net Assets - Beginning, Net of Restatement
 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
\$ (37,841,836)	\$ -	\$ (37,841,836)
(1,467,153)	-	(1,467,153)
(699,428)	-	(699,428)
(10,738,332)	-	(10,738,332)
(2,787,876)	-	(2,787,876)
(20,083)	-	(20,083)
(3,995,553)	-	(3,995,553)
(2,733,676)	-	(2,733,676)
(4,704,009)	-	(4,704,009)
(19,090,577)	-	(19,090,577)
(4,479,869)	-	(4,479,869)
-	-	-
(499,565)	-	(499,565)
(3,573,215)	-	(3,573,215)
3,865,954	-	3,865,954
<u>(88,765,218)</u>	<u>-</u>	<u>(88,765,218)</u>
-	(538,034)	(538,034)
-	340,466	340,466
-	(197,568)	(197,568)
<u>(88,765,218)</u>	<u>(197,568)</u>	<u>(88,962,786)</u>
75,260,072	-	75,260,072
2,599,948	-	2,599,948
62,840,905	-	62,840,905
1,124,973	56,335	1,181,308
2,310,058	-	2,310,058
<u>144,135,956</u>	<u>56,335</u>	<u>144,192,291</u>
55,370,738	(141,233)	55,229,505
3,000,000	(3,000,000)	-
58,370,738	(3,141,233)	55,229,505
98,640,531	9,634,152	108,274,683
<u>\$ 157,011,269</u>	<u>\$ 6,492,919</u>	<u>\$ 163,504,188</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2004**

	General Fund	Measure Y Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Deposits and investments	\$17,115,501	\$35,587,129	\$ 49,879,094	\$ 20,517,630	\$123,099,354
Receivables	8,790,101	35,585	2,055,721	80,979	10,962,386
Due from other funds	387,000	-	-	-	387,000
Stores inventories	496,980	-	-	-	496,980
Total Assets	<u>\$26,789,582</u>	<u>\$35,622,714</u>	<u>\$ 51,934,815</u>	<u>\$ 20,598,609</u>	<u>\$134,945,720</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$12,246,006	\$ 3,542,125	\$ 8,793,794	\$ 569,924	\$ 25,151,849
Due to other funds	136,739	-	-	13,502	150,241
Deferred revenue	1,348,391	-	-	-	1,348,391
Total Liabilities	<u>13,731,136</u>	<u>3,542,125</u>	<u>8,793,794</u>	<u>583,426</u>	<u>26,650,481</u>
FUND BALANCES					
Reserved	3,475,992	-	-	-	3,475,992
Unreserved:					
Designated, reported in:					
General Fund	9,582,454	-	-	-	9,582,454
Special revenue funds	-	-	-	549,517	549,517
Debt service funds	-	-	-	6,328,498	6,328,498
Capital projects funds	-	32,080,589	43,141,021	13,137,168	88,358,778
Total Fund Balance	<u>13,058,446</u>	<u>32,080,589</u>	<u>43,141,021</u>	<u>20,015,183</u>	<u>108,295,239</u>
Total Liabilities and Fund Balances	<u>\$26,789,582</u>	<u>\$35,622,714</u>	<u>\$ 51,934,815</u>	<u>\$ 20,598,609</u>	<u>\$134,945,720</u>

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, 2004**

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

Total Fund Balance - Governmental Funds	\$ 108,295,239
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 the following	\$212,459,050
Accumulated depreciation is the following	<u>(51,624,326)</u>
	160,834,724
Expenditures relating to issuance of debt of next fiscal year were recognized on modified accrual basis, but should not be recognized on accrual basis.	1,486,805
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.	(1,117,535)
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 the following:	641,106
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 the following:	
General obligation bonds	(76,363,561)
Certificates of participation	(22,035,000)
Special tax revenue bonds	(5,505,000)
Capital lease obligations	(4,926,109)
Compensated absences	(748,802)
Other long-term payables	<u>(3,550,598)</u>
	<u>(113,129,070)</u>
Total Net Assets - Governmental Activities	<u>\$ 157,011,269</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, 2004**

	General Fund	Measure Y Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Revenue limit sources	\$ 127,038,291	\$ -	\$ -	\$ 407,854	\$ 127,446,145
Federal sources	9,353,720	-	-	65,475	9,419,195
Other state sources	31,486,013	-	58,022,416	341,240	89,849,669
Other local sources	5,180,723	320,406	290,231	10,508,302	16,299,662
Total Revenues	173,058,747	320,406	58,312,647	11,322,871	243,014,671
EXPENDITURES					
Current					
Instruction	116,032,834	-	-	273,536	116,306,370
Instruction-related activities:					
Supervision of instruction	7,040,997	-	-	-	7,040,997
Instructional library, media and technology	706,579	-	-	-	706,579
School site administration	10,501,638	-	-	206,479	10,708,117
Pupil Services:					
Home-to-school transportation	4,890,661	-	-	-	4,890,661
Food services	298	-	-	-	298
All other pupil services	5,891,453	-	-	-	5,891,453
General administration:					
Data processing	2,726,381	-	-	-	2,726,381
All other general administration	6,855,458	-	-	12,906	6,868,364
Plant services	18,490,763	27,826	-	1,122,892	19,641,481
Facility acquisition and construction	5,362,853	16,399,255	37,433,529	20,973,517	80,169,154
Community services	57,465	-	-	-	57,465
Enterprise services	500,000	-	-	-	500,000
Debt service					
Principal	-	-	-	1,987,399	1,987,399
Interest and other	-	582,830	-	2,903,040	3,485,870
Total Expenditures	179,057,380	17,009,911	37,433,529	27,479,769	260,980,589
Excess (Deficiency) of Revenues Over Expenditures	(5,998,633)	(16,689,505)	20,879,118	(16,156,898)	(17,965,918)
Other Financing Sources (Uses):					
Transfers in	707,000	-	15,032,327	11,218,820	26,958,147
Other sources	4,899,385	32,382,574	-	16,635,000	53,916,959
Transfers out	(1,943,231)	(10,281,722)	-	(11,733,194)	(23,958,147)
Other uses	(2,473,912)	-	-	-	(2,473,912)
Net Financing Sources (Uses)	1,189,242	22,100,852	15,032,327	16,120,626	54,443,047
NET CHANGE IN FUND BALANCES	(4,809,391)	5,411,347	35,911,445	(36,272)	36,477,129
Fund Balance - Beginning	17,867,837	26,669,242	7,229,576	20,051,455	71,818,110
Fund Balance - Ending	\$ 13,058,446	\$ 32,080,589	\$ 43,141,021	\$ 20,015,183	\$ 108,295,239

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, 2004

Total Net Change in Fund Balances - Governmental Funds **\$ 36,477,129**
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 capital outlays exceeds depreciation in the period.

Capital outlays	75,547,734	
Depreciation expense	<u>\$ (2,998,802)</u>	72,548,932

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 \$338,172.

338,172

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:

Sale of general obligation bonds		(29,999,744)
Certificates of participation		(16,635,000)
Other long-term debt		(4,899,385)

Governmental funds report the effect of premiums, discounts, issuance costs, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these related items:

Premium on issuance		(2,353,367)
Cost of issuance		779,704

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:

General obligation bonds		1,825,000
Certificates of participation		150,000
Capital lease obligations		12,399
Other long-term debt		1,650,069

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 \$587,753, and second, \$82,422 of additional accumulated interest was accreted on the Districts' "capital appreciation" general obligation bonds.

(670,175)

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.

(852,996)

Change in Net Assets of Governmental Activities

\$ 58,370,738

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, 2004**

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Child Care	Food Service	Total	
ASSETS				
Current Assets				
Deposits and investments	\$2,703,697	\$1,459,674	\$4,163,371	\$ 5,846,708
Receivables	70,416	766,540	836,956	4,655
Due from other funds	-	270	270	893,119
Stores inventories	-	230,326	230,326	-
Total Current Assets	<u>2,774,113</u>	<u>2,456,810</u>	<u>5,230,923</u>	<u>6,744,482</u>
Noncurrent Assets				
Capital assets	2,429,905	568,820	2,998,725	-
Less: accumulated depreciation	(327,376)	(431,070)	(758,446)	-
Total Noncurrent Assets	<u>2,102,529</u>	<u>137,750</u>	<u>2,240,279</u>	<u>-</u>
Total Assets	<u>4,876,642</u>	<u>2,594,560</u>	<u>7,471,202</u>	<u>6,744,482</u>
LIABILITIES				
Current Liabilities				
Accounts payable	372,572	279,628	652,200	184,960
Due to other funds	139,392	186,691	326,083	804,065
Claim liabilities	-	-	-	5,114,351
Total Current Liabilities	<u>511,964</u>	<u>466,319</u>	<u>978,283</u>	<u>6,103,376</u>
NET ASSETS				
Invested in capital assets, net of related debt	2,102,529	137,750	2,240,279	-
Unrestricted	2,262,149	1,990,491	4,252,640	641,106
Total Net Assets	<u>\$4,364,678</u>	<u>\$2,128,241</u>	<u>\$6,492,919</u>	<u>\$ 641,106</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, 2004**

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Child Care	Food Service	Total	
OPERATING REVENUES				
Charges for services	\$ 4,597,400	\$ 2,700,505	\$ 7,297,905	\$ -
Charges to other funds and miscellaneous revenues	-	-	-	18,499,841
Total Operating Revenues	<u>4,597,400</u>	<u>2,700,505</u>	<u>7,297,905</u>	<u>18,499,841</u>
OPERATING EXPENSES				
Payroll costs	3,781,130	2,504,109	6,285,239	206,311
Professional and contract services	68,836	102,618	171,454	19,175,240
Supplies and materials	255,183	3,046,646	3,301,829	1,009
Facility rental	9,989	65,864	75,853	6,228
Other operating cost	247,632	219,350	466,982	-
Depreciation	40,075	39,024	79,099	-
Total Operating Expenses	<u>4,402,845</u>	<u>5,977,611</u>	<u>10,380,456</u>	<u>19,388,788</u>
Operating Income (Loss)	<u>194,555</u>	<u>(3,277,106)</u>	<u>(3,082,551)</u>	<u>(888,947)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	42,041	14,293	56,334	35,951
Grants	145,911	2,739,073	2,884,984	-
Total Nonoperating Revenues (Expenses)	<u>187,952</u>	<u>2,753,366</u>	<u>2,941,318</u>	<u>35,951</u>
Income (Loss) Before Capital Contributions and Transfers	<u>382,507</u>	<u>(523,740)</u>	<u>(141,233)</u>	<u>(852,996)</u>
Transfers out	(3,000,000)	-	(3,000,000)	(800,000)
Change in Net Assets	<u>(2,617,493)</u>	<u>(523,740)</u>	<u>(3,141,233)</u>	<u>(852,996)</u>
Total Net Assets - Beginning	<u>6,982,171</u>	<u>2,651,981</u>	<u>9,634,152</u>	<u>1,494,102</u>
Total Net Assets - Ending	<u>\$ 4,364,678</u>	<u>\$ 2,128,241</u>	<u>\$ 6,492,919</u>	<u>\$ 641,106</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, 2004**

	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	\$ 4,576,587	\$ 3,056,736	\$ 7,633,323	\$ 18,501,019
Cash received from assessments made to other funds	-	-	-	(549,117)
Cash payments to employees for services	(3,965,460)	(2,615,432)	(6,580,892)	(206,311)
Cash payments for insurance claims	-	-	-	(789,758)
Cash payments to suppliers for goods and services	(324,019)	(3,125,666)	(3,449,685)	(2,849)
Cash payments for facility use	(9,989)	(65,864)	(75,853)	-
Cash payments for other operating expenses	(247,632)	(219,350)	(466,982)	(16,823,047)
Net Cash Provided(Used) for Operating Activities	29,487	(2,969,576)	(2,940,089)	129,937
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Nonoperating grants received	145,911	2,739,073	2,884,984	-
Transfers from (to) other funds	(3,000,000)	-	(3,000,000)	-
Net Cash Provided (Used) from Noncapital Financing Activities	(2,854,089)	2,739,073	2,884,984	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(88,393)	-	(88,393)	-
Net Cash Used for Capital and Related Financing Activities	(88,393)	-	(88,393)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	42,041	14,293	56,334	35,951
Net Cash Provided from Investing Activities	42,041	14,293	56,334	35,951
Net increase (decrease) in cash and cash equivalents	(2,870,954)	(216,210)	(87,164)	165,888
Cash and cash equivalents - Beginning	5,574,651	1,675,884	7,250,535	5,680,820
Cash and cash equivalents - Ending	\$ 2,703,697	\$ 1,459,674	\$ 4,163,371	\$ 5,846,708
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 194,555	\$ (3,277,106)	\$ (3,082,551)	\$ (888,947)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:				
Depreciation	40,075	39,024	79,099	-
Changes in assets and liabilities:				
Receivables	(46,418)	322,252	275,834	1,178
Due from other fund	25,605	33,979	59,584	(549,117)
Inventories	-	23,598	23,598	-
Accrued liabilities	29,855	15,990	45,845	1,112,722
Due to other fund	(214,185)	(127,313)	(341,498)	454,101
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 29,487	\$ (2,969,576)	\$ (2,940,089)	\$ 129,937
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, 2004**

	Agency Funds
ASSETS	
Deposits and investments	\$ 890,516
Total Assets	<u>\$ 890,516</u>
LIABILITIES	
Accounts payable	\$ 17,153
Due to student groups	873,363
Total Liabilities	<u>\$ 890,516</u>

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

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may 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. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component units discussed below are reported in the District's financial statements because of their relationship with the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method 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.

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.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

C. 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.

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).

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.

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.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

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Debt Service Component Unit Fund The Debt Service Component Unit Fund is used to account for the interest and redemption of principal of Certificates of Participation and CFD Special Tax Bonds.

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).

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

Capital Projects Component Unit Fund The Capital Projects Component Unit Fund is used to account for COP/CFD funds for District 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).

D. 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.

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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.

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

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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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.

E. 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, 2004

F. Investments

Investments held at June 30, 2004, 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.

G. 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.

H. 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.

I. 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.

J. 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, 2004

K. 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.

L. 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.

M. 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.

N. Bond Insurance 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 insurance 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, 2004

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.

O. 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.

P. 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.

Q. 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.

R. 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, 2004

S. 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.

T. 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.

U. 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.

V. New Accounting Pronouncement

For the fiscal year ended June 30, 2004, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 39, "Determining Whether Certain Organizations Are Component Units," an amendment of GASB Statement No. 14. This statement provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. The District has determined that no organizations are required to be reported as component units in accordance with GASB Statement No. 39.

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.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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.

B. Deposits

At year-end, the carrying amount of the District's deposits were \$530,320 for government activities, and \$890,516 held in fiduciary funds. The bank balances totaled \$1,241,800. Of the bank balances, \$332,774 was covered by Federal deposit insurance and \$909,026 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 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 for their respective pools.

The investments at June 30, 2004, are as follows:

	<u>Cost Basis</u>	<u>Fair Value</u>
Uncategorized		
Deposits with county treasurer	\$ 125,883,958	\$ 125,925,483
BNY Hamilton Treasury Money Fund	3,182,191	3,181,796
First American Treasury Obligations	3,512,964	3,509,478
	<u>\$ 132,579,113</u>	<u>\$ 132,616,757</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 3 – RECEIVABLES

Receivables at June 30, 2004, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General	Measure Y Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Internal Service Fund
Federal Government					
Categorical aid	\$ 1,725,408	\$ -	\$ -	\$ 23,370	\$ -
State Government					
Apportionment	2,278,983	-	-	-	-
Categorical aid	1,864,736	-	-	-	-
Lottery	724,543	-	-	-	-
Other state	1,329,370	-	2,015,108	-	-
Local Government					
Interest	55,734	35,585	40,613	12,384	4,411
Other Local Sources	811,327	-	-	45,225	244
Total	<u>\$ 8,790,101</u>	<u>\$ 35,585</u>	<u>\$ 2,055,721</u>	<u>\$ 80,979</u>	<u>\$ 4,655</u>

	Total Governmental Activities	Total Enterprise Funds
Federal Government		
Categorical aid	\$ 1,748,778	\$ 657,693
State Government		
Apportionment	2,278,983	-
Categorical aid	1,864,736	73,003
Lottery	724,543	-
Other state	3,344,478	-
Local Government		
Interest	148,727	4,414
Other Local Sources	856,796	101,846
Total	<u>\$ 10,967,041</u>	<u>\$ 836,956</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 17,796,598	\$13,795,412	\$ -	\$ 31,592,010
Construction in process	22,269,061	60,064,379	10,353,107	71,980,333
Total Capital Assets Not Being Depreciated	<u>40,065,659</u>	<u>73,859,791</u>	<u>10,353,107</u>	<u>103,572,343</u>
Capital Assets Being Depreciated				
Buildings and improvements	85,432,738	11,046,391	-	96,479,129
Furniture and equipment	11,537,319	994,659	124,400	12,407,578
Total Capital Assets Being Depreciated	<u>96,970,057</u>	<u>12,041,050</u>	<u>124,400</u>	<u>108,886,707</u>
Less Accumulated Depreciation				
Buildings and improvements	40,236,070	2,272,430	-	42,508,500
Furniture and equipment	8,513,854	726,372	124,400	9,115,826
Total Accumulated Depreciation	<u>48,749,924</u>	<u>2,998,802</u>	<u>124,400</u>	<u>51,624,326</u>
Governmental Activities Capital Assets, Net	<u>\$ 88,285,792</u>	<u>\$82,902,039</u>	<u>\$10,353,107</u>	<u>\$160,834,724</u>
Business-Type Activities				
Capital Assets Not Being Depreciated				
Construction in process	\$ 63,431	\$ 88,394	\$ 151,825	\$ -
Total Capital Assets Not Being Depreciated	<u>63,431</u>	<u>88,394</u>	<u>151,825</u>	<u>-</u>
Capital Assets Being Depreciated				
Buildings and improvements	2,278,080	151,825	-	2,429,905
Furniture and equipment	568,820	-	-	568,820
Total Capital Assets Being Depreciated	<u>2,846,900</u>	<u>151,825</u>	<u>-</u>	<u>2,998,725</u>
Less Accumulated Depreciation				
Buildings and improvements	287,301	40,075	-	327,376
Furniture and equipment	392,046	39,024	-	431,070
Total Accumulated Depreciation	<u>679,347</u>	<u>79,099</u>	<u>-</u>	<u>758,446</u>
Business-Type Activities Capital Assets, Net	<u>\$ 2,230,984</u>	<u>\$ 161,120</u>	<u>\$ 151,825</u>	<u>\$ 2,240,279</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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

Governmental Activities:

Instruction	\$ 2,548,982
Supervision of instruction	29,988
Instructional library, media and technology	29,988
School site administration	239,904
All other general administration	29,988
Plant services	119,952
Total Depreciation Expenses Governmental Activities	2,998,802

Business-Type Activities:

Child Development	40,075
Food Service	39,024
Total Depreciation Expenses Business-Type Activities	79,099
Total Depreciation Expenses All Activities	\$ 3,077,901

NOTE 5 – INTERFUND TRANSACTIONS

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

Interfund receivable and payable balances at June 30, 2004, between major and nonmajor governmental funds, nonmajor enterprise funds and internal service funds are as follows:

Due To	Due From			Total
	General	Enterprise	Internal Service	
General	\$ 43,786	\$ 26	\$ 92,927	\$ 136,739
Non-Major Governmental	13,502	-	-	13,502
Enterprise	325,647	244	192	326,083
Internal Service	4,065	-	800,000	804,065
Total	\$ 387,000	\$ 270	\$ 893,119	\$ 1,280,389

The balance of \$92,927 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 \$139,148 due to the General Fund from the Child Development Enterprise Fund resulted from payroll and support cost reimbursements.

The balance of \$186,499 due to the General Fund from the Cafeteria Enterprise Fund resulted from payroll and support cost reimbursements.

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.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

B. Operating Transfers

Interfund transfers for the year ended June 30, 2004, consisted of the following:

Transfer To	Transfer From			Total
	General	County School Facilities Fund	Non-Major Governmental	
General	\$ -	\$ -	\$ 1,943,231	\$ 1,943,231
Building	-	8,481,722	1,800,000	10,281,722
Non-Major Governmental	707,000	6,550,605	4,475,589	11,733,194
Enterprise	-	-	3,000,000	3,000,000
Total	\$ 707,000	\$ 15,032,327	\$ 11,218,820	\$ 26,958,147

The General Fund transferred to the Deferred Maintenance Fund for State match.	\$ 750,000
The General Fund transferred to the Special Reserve (Capital) Fund for redevelopment funds.	907,366
The General Fund transferred to the Debt Service Fund for debt payment.	285,865
The Child Development Enterprise Fund transferred to the Special Reserve (Capital) Fund for facility support costs.	3,000,000
The Building Fund transferred to the Bond Interest and Redemption Fund for debt issuance costs.	1,800,000
The Building Fund transferred to the County School Facilities Fund for 20 percent match for Prop 47 modernization projects.	8,481,722
The Capital Facilities Fund transferred to the General Fund for services reimbursement.	7,000
The Capital Facilities Fund transferred to the County School Facilities Fund for construction costs.	6,550,605
The Special Reserve Fund transferred to the General Fund for construction costs (maintenance support Yorba Linda students).	700,000
The CFD Fund transferred to the Debt Service Fund for debt service payments.	1,383,748
The CFD Fund transferred to the Special Reserve for Capital Outlay Fund for construction costs reimbursement.	3,091,841
Total	\$ 26,958,147

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, 2004**

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2004, consisted of the following:

	General	Measure Y Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Internal Service Fund
Vendor payables	\$ 2,761,513	\$ 258,543	\$ -	\$ 148,738	\$ 167,258
State apportionment	1,201,326	-	-	-	-
Salaries and benefits	7,673,346	-	-	50,059	17,259
Accrued vacation	149,761	-	-	-	-
Other operating services	337,802	1,465	4,077	1,071	443
Other significant payables	54,898	-	-	-	-
Construction	67,360	3,282,117	8,789,717	370,056	-
Total	<u>\$ 12,246,006</u>	<u>\$3,542,125</u>	<u>\$ 8,793,794</u>	<u>\$ 569,924</u>	<u>\$ 184,960</u>

	Total Governmental Activities	Non-Major Enterprise Funds	Fiduciary Fund
Vendor payables	\$ 3,336,052	\$ 86,399	\$ 17,153
State apportionment	1,201,326	-	-
Salaries and benefits	7,740,664	561,440	-
Accrued vacation	149,761	-	-
Other operating services	344,858	2,661	-
Other significant payables	54,898	-	-
Construction	12,509,250	1,700	-
Total	<u>\$ 25,336,809</u>	<u>\$ 652,200</u>	<u>\$ 17,153</u>

NOTE 7 – DEFERRED REVENUE

Deferred revenue at June 30, 2004, consists of the following:

	General
Federal financial assistance	\$ 486,780
State categorical aid	861,611
Total	<u>\$ 1,348,391</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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, 2003	Additions	Deductions	Balance June 30, 2004	Due in One Year
General obligation bonds	\$ 45,045,927	\$ 30,082,166	\$ 1,825,000	\$ 73,303,093	\$ 2,455,000
Premium on issuance	707,101	2,382,830	29,463	3,060,468	-
Certificates of Participation	5,550,000	16,635,000	150,000	22,035,000	150,000
CFD Special Tax Bonds	5,505,000	-	-	5,505,000	-
Compensated absences	1,086,974	-	338,172	748,802	-
Capital leases	39,123	4,899,385	12,399	4,926,109	389,809
PARS supplementary retirement plan	5,200,667	-	1,650,069	3,550,598	887,650
	<u>\$ 63,134,792</u>	<u>\$ 53,999,381</u>	<u>\$ 4,005,103</u>	<u>\$ 113,129,070</u>	<u>\$ 3,882,459</u>

Payments for General obligation bonds are made in the Bond Interest and Redemption Fund. Payments for this Certificates of Participation and this CFD Special Tax Bonds are made in the Debt Service for Component Unit 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, 2004

The bonds mature as follows:

Fiscal Year	Principal including accreted interest to date	Accreted interest	Current interest to maturity	Total
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	385,000	-	1,917,475	2,302,475
2009	350,000	-	1,904,656	2,254,656
2010-2014	4,100,000	-	9,135,531	13,235,531
2015-2019	6,703,349	1,143,421	7,972,419	15,819,189
2020-2024	15,070,000	598,230	5,428,172	21,096,402
2025-2027	13,340,000	-	1,041,000	14,381,000
Total	<u>\$ 43,303,349</u>	<u>\$ 1,741,651</u>	<u>\$ 33,261,860</u>	<u>\$ 78,306,860</u>

2002 General Obligation Bonds, Series B

In May 2004, the District issued current and capital appreciation 2002 General Obligation Bonds, Series B, in the amount of \$29,999,744 (accreting to \$39,599,744). The bonds mature through August 2028, with interest yields from 1.70 to 5.94 percent. Proceeds from the sale of the bonds are used to provide funds to finance new school construction and additions to and modernization of school facilities.

The bonds mature as follows:

Fiscal Year	Principal including accreted interest to date	Accreted interest	Current interest to maturity	Total
2005	\$ -	\$ -	\$ 949,488	\$ 949,488
2006	625,000	-	1,426,044	2,051,044
2007	2,000,000	-	1,383,388	3,383,388
2008	420,000	-	1,344,062	1,764,062
2009	550,000	-	1,327,612	1,877,612
2010-2014	3,570,000	-	6,251,750	9,821,750
2015-2019	5,630,000	-	5,177,962	10,807,962
2020-2024	8,190,000	-	3,370,206	11,560,206
2025-2027	9,014,744	8,635,256	834,444	18,484,444
Total	<u>\$ 29,999,744</u>	<u>\$ 8,635,256</u>	<u>\$ 22,064,956</u>	<u>\$ 60,699,956</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

C. 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, 2004, the principal balance outstanding was \$5,400,000.

The certificates mature as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	165,000	194,211	359,211
2010-2014	920,000	891,126	1,811,126
2015-2019	1,085,000	722,631	1,807,631
2020-2024	1,320,000	491,781	1,811,781
2025-2029	1,285,000	164,500	1,449,500
Total	<u>\$ 5,400,000</u>	<u>\$ 3,280,843</u>	<u>\$ 8,680,843</u>

In September 2003, the District issued \$16,635,000 of 2003 Certificates of Participation, Series A, pursuant to a lease agreement with the District and the California School Boards Association Finance Corporation. The 2003 Series A Certificates of Participation are being issued to finance acquisition of real property to be used for the public education activities of the District. The interest rate of the certificates range is an adjustable interest rate, and the bonds mature on February 1, 2035. At June 30, 2004, the principal balance outstanding was \$16,635,000.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

The certificates mature as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ -	\$ 182,985	\$ 182,985
2006	250,000	182,985	432,985
2007	260,000	180,235	440,235
2008	270,000	177,375	447,375
2009	285,000	174,405	459,405
2010-2014	1,660,000	821,645	2,481,645
2015-2019	2,130,000	720,500	2,850,500
2020-2024	2,740,000	590,645	3,330,645
2025-2029	3,510,000	423,830	3,933,830
2030-2034	4,490,000	210,265	4,700,265
2035	1,040,000	11,440	1,051,440
Total	<u>\$ 16,635,000</u>	<u>\$ 3,676,310</u>	<u>\$ 20,311,310</u>

D. 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, 2004, the principal balance outstanding was \$5,505,000.

Year Ending June 30,	Principal	Interest	Total
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	105,000	297,410	402,410
2010-2014	600,000	1,408,553	2,008,553
2015-2019	760,000	1,232,663	1,992,663
2020-2024	1,005,000	980,135	1,985,135
2025-2029	1,345,000	631,050	1,976,050
2030-2034	1,400,000	174,000	1,574,000
Total	<u>\$ 5,505,000</u>	<u>\$ 5,946,534</u>	<u>\$ 11,451,534</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

E. Accumulated Unpaid Employee Vacation

Accumulated unpaid employee vacation for the District at June 30, 2004, amounted to \$748,802.

F. Capital Leases

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

	<u>Equipment</u>
Balance, Beginning of Year	\$ 43,173
Additions	6,161,504
Payments	14,391
Balance, End of Year	<u>\$ 6,190,286</u>

The capital leases have minimum lease payments as follows:

<u>Year Ending June 30, 2004</u>	<u>Lease Payment</u>
2005	\$ 601,201
2006	601,201
2007	586,810
2008	586,810
2009	586,810
2010-2014	2,934,050
2015-2019	293,404
Total	<u>6,190,286</u>
Less: Amount Representing Interest	1,264,177
Present Value of Minimum Lease Payments	<u>\$ 4,926,109</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

G. 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, 2004, the remaining obligation is \$3,550,600.

Year Ending June 30, 2004	Payment
2005	\$ 887,650
2006	887,650
2007	887,649
2008	887,649
Total	<u>\$ 3,550,598</u>

NOTE 9 – FUND BALANCES

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

	General	Measure Y Building Fund	County School Facilities Fund	Nonmajor Governmental Funds	Total
Reserved					
Revolving cash	\$ 169,000	\$ -	\$ -	\$ -	\$ 169,000
Stores inventory	496,980	-	-	-	496,980
Prepaid expenditures	-	-	-	-	-
Restricted programs	2,810,012	-	-	-	2,810,012
Total Reserved	<u>3,475,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,475,992</u>
Unreserved					
Designated					
Economic uncertainties	9,582,454	-	-	-	9,582,454
Capital Projects	-	32,080,589	43,141,021	13,137,168	88,358,778
Adult Education	-	-	-	95,307	95,307
Deferred Maintenance	-	-	-	454,210	454,210
Debt Service	-	-	-	6,328,498	6,328,498
Total Designated	<u>9,582,454</u>	<u>32,080,589</u>	<u>43,141,021</u>	<u>20,015,183</u>	<u>104,819,247</u>
Undesignated	-	-	-	-	-
Total Unreserved	<u>9,582,454</u>	<u>32,080,589</u>	<u>43,141,021</u>	<u>20,015,183</u>	<u>104,819,247</u>
Total	<u>\$13,058,446</u>	<u>\$32,080,589</u>	<u>\$ 43,141,021</u>	<u>\$20,015,183</u>	<u>\$108,295,239</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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 \$1,506,216 were recognized for retirees' health care benefits.

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.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

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, 2002 to June 30, 2004:

	Comprehensive Liability	Health and Welfare	Property Loss Risk	Workers' Compensation	Total
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	(385,650)	(1,191,619)	(191,972)	(1,473,906)	(3,243,147)
Liability Balance, June 30, 2003	362,856	271,000	850	3,479,645	4,114,351
Claims and changes in estimates	374,538	2,427,895	199,426	3,623,876	6,625,735
Claims payments	(374,538)	(2,427,895)	(199,426)	(2,623,876)	(5,625,735)
Liability Balance, June 30, 2004	<u>\$ 362,856</u>	<u>\$ 271,000</u>	<u>\$ 850</u>	<u>\$ 4,479,645</u>	<u>\$ 5,114,351</u>
Assets available to pay claims at June 30, 2004	<u>\$ 974,257</u>	<u>\$ 384,439</u>	<u>\$ 690,458</u>	<u>\$ 4,695,328</u>	<u>\$ 6,744,482</u>

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.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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 2003-2004 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, 2004, 2003, and 2002, were \$7,185,275, \$7,205,849, and \$7,039,492, 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.

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 2003-2004 was 10.42 percent of annual payroll. 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, 2004 was \$1,803,697, \$1,826,564 and \$-0-, respectively, 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.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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 \$2,047,803 (2.28 percent of salaries subject to STRS). A contribution to PERS was not required for the year ended June 30, 2004. 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, 2004.

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.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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. <u>Condensed Audited Financial Information Follows</u>			
	<u>June 30, 2003*</u>	<u>June 30, 2003*</u>	<u>June 30, 2003*</u>
Assets	\$ 80,514,569	\$ 112,123,757	\$ 11,236,611
Liabilities	56,501,953	64,483,431	1,875,966
Fund Equity	<u>\$ 24,012,616</u>	<u>\$ 47,640,326</u>	<u>\$ 9,360,645</u>
Revenues	\$ 37,434,559	\$ 25,828,579	\$ 29,861,268
Expenses	<u>(33,661,727)</u>	<u>(11,022,709)</u>	<u>(23,834,226)</u>
Net Increase (Decrease) in Fund Equity	<u>\$ 3,772,832</u>	<u>\$ 14,805,870</u>	<u>\$ 6,027,042</u>
F. <u>Payments for the Current Year</u>	<u>\$ 546,599</u>	<u>\$ 14,146</u>	<u>\$ 1,144,657</u>

* Most recent information available.

None of the JPAs had long-term debts outstanding at June 30, 2003. The District's share of year-end assets, liabilities, or fund equity has not been calculated.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 15 – EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2004, 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>\$ 5,366,480</u>	<u>\$ 5,977,611</u>	<u>\$ 611,131</u>
County School Facilities	<u>\$32,899,036</u>	<u>\$37,433,529</u>	<u>\$ 4,534,493</u>

NOTE #16 – PRIOR PERIOD ADJUSTMENT

The beginning balance of net assets invested in capital assets, net of related debt as recorded on the Statement of Net Assets, has been adjusted. The reason for the adjustment was to properly reflect the balance related accumulated depreciation for buildings and improvements due to a mathematical error in the calculation. The effect on the June 30, 2003, net assets was an increase of \$7,564,168.

REQUIRED SUPPLEMENTARY INFORMATION

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PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	(GAAP Basis)			Positive
	Original	Final		(Negative) Final to Actual
REVENUES				
Revenue limit sources	\$ 127,229,830	\$ 127,038,291	\$ 127,038,291	\$ -
Federal sources	7,917,030	11,509,553	9,353,720	(2,155,833)
Other state sources	32,841,741	32,392,701	31,486,013	(906,688)
Other local sources	2,466,477	5,180,723	5,180,723	-
Total Revenues	170,455,078	176,121,268	173,058,747	(3,062,521)
EXPENDITURES				
Current				
Instruction	109,772,597	121,361,681	116,032,834	5,328,847
Instruction-related activities:				
Supervision of instruction	7,465,989	8,549,799	7,040,997	1,508,802
Instructional library, media, and technology	606,221	977,559	706,579	270,980
School site administration	10,295,565	10,782,682	10,501,638	281,044
Pupil services:				
Home-to-school transportation	4,912,964	4,923,074	4,890,661	32,413
Food services	1,500	500	298	202
All other pupil services	5,733,056	5,989,022	5,891,453	97,569
General administration:				
Data processing	3,043,155	3,158,049	2,726,381	431,668
All other general administration	6,896,440	7,181,038	6,855,458	325,580
Plant services	19,365,525	19,146,704	18,490,763	655,941
Facility acquisition and construction	555,529	584,752	5,362,853	(4,778,101)
Community services	70,773	89,432	57,465	31,967
Other outgo	2,895,991	2,649,638	-	2,649,638
Enterprise services	500,000	500,000	500,000	-
Total Expenditures	172,115,305	185,893,930	179,057,380	6,836,550
Excess (Deficiency) of Revenues				
Over Expenditures	(1,660,227)	(9,772,662)	(5,998,633)	3,774,029
Other Financing Sources (Uses):				
Transfers in	700,000	767,000	707,000	(60,000)
Other sources	-	-	4,899,385	4,899,385
Transfers out	(750,000)	(1,657,366)	(1,943,231)	(285,865)
Other uses	-	-	(2,473,912)	(2,473,912)
Net Financing Sources (Uses)	(50,000)	(890,366)	1,189,242	2,079,608
NET CHANGE IN FUND BALANCES	(1,710,227)	(10,663,028)	(4,809,391)	5,853,637
Fund Balance - Beginning	17,867,837	17,867,837	17,867,837	-
Fund Balance - Ending	\$ 16,157,610	\$ 7,204,809	\$ 13,058,446	\$ 5,853,637

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, 2004**

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	\$ 65,475
Improving America's School Act (IASA)			
Title I - AFDC and Neglected	84.010	03797	2,408,172
Title I - Part B, Even Start Family Literacy	84.213	13001	283,722
Title II - Eisenhower Math and Science	84.164	03699	7,570
Title II - Improving Teacher Quality	84.367	10085	786,858
Title II - Enhancing Education through Technology [1]	84.318	14334	80,607
Title II - Enhancing Education through Technology [1]	84.318	14368	753,299
Title III - English Language Acquisition Program [1]	84.365	10084	316,945
Title IV - Drug Free Schools	84.186	03453	101,924
Title VI - Innovative Strategies	84.298	03340	91,513
Title VI - Federal Class Size Reduction	84.340	03073	11,006
Title VII - Bilingual Education [1]	84.288	10008	430,979
Individuals with Disabilities Education Act (IDEA)			
Infant Discretionary [1]	84.027A	03612	2,733
Local Staff Development [1]	84.027A	03613	13,179
Low Incidence [1]	84.027A	03459	8,813
Local Assistance [1]	84.027A	03379	2,847,406
Federal Preschool [1]	84.173A	03430	116,760
Preschool Local Entitlement [1]	84.027A	03682	138,884
Preschool Staff Development [1]	84.173A	03431	2,160
Early Intervention Part C [1]	84.027A	03761	62,932
Advanced Placement Fee Payment Incentive	84.330	13317	3,574
Vocational Educational Grants			
Secondary Education	84.048	03924	128,946
Subtotal			<u>8,663,457</u>
Passed through CDE to Brea-Olinda USD-Special Education Grants			
Federal Preschool [1]	84.173A	03430	31,347
Preschool Local Entitlement [1]	84.027A	03682	51,982
Preschool Staff Development [1]	84.173A	13431	590
Local Assistance [1]	84.027A	03379	670,896
Local Staff Development [1]	84.027A	03613	1,754
Subtotal			<u>756,569</u>
Total U.S. Department of Education			<u>9,420,026</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Basic School Breakfast Program	10.553	03525	59,917
Especially Needy Breakfast	10.553	03526	451,975
National School Lunch Program	10.555	03523	2,059,924
Food Commodities	10.550	03389	137,492
Total U.S. Department of Agriculture			<u>2,709,308</u>
Total Expenditures of Federal Awards			<u>\$ 12,129,334</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, 2004**

	Amended Annual ADA <u>2003-2004</u>	Amended Second Period ADA <u>2003-2004</u>
ELEMENTARY		
Kindergarten	1,695	1,692
First through third	5,667	5,662
Fourth through sixth	6,161	6,164
Seventh and eighth	4,080	4,090
Home and hospital	6	6
Special Education - Master Plan	430	424
Special Education - Non-public	23	23
Extended Year Special Education - Mandated	27	27
Total Elementary	<u>18,089</u>	<u>18,088</u>
SECONDARY		
Regular classes	6,982	7,023
Continuation education	253	262
Home and hospital	9	7
Special Education - Master Plan	182	181
Special Education - Non-public	9	10
Extended Year Special Education - Mandated	12	13
Total Secondary	<u>7,447</u>	<u>7,496</u>
Total K-12	<u>25,536</u>	<u>25,584</u>
REGIONAL OCCUPATIONAL CENTERS - MANDATED		
	<u>504</u>	<u>458</u>
CLASSES FOR ADULTS		
Concurrently enrolled	54	53
Not concurrently enrolled	96	93
Independent study	42	38
Total Classes for Adults	<u>192</u>	<u>184</u>
Grand Total	<u>26,232</u>	<u>26,226</u>
 SUMMER SCHOOL/INTERSESSION- ANNUAL PUPIL HOURS OF ATTENDANCE		
Core academic programs		158,783
Students not meeting proficiency standards		<u>207,906</u>
Total Hours		<u>366,689</u>

See accompanying note to supplementary information.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2004**

Grade Level	1986-87	1986-87	2003-04	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	65,075	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, 2004**

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

	Measure Y Building Fund	County School Facilities Fund
	<u> </u>	<u> </u>
FUND BALANCE		
Balance, June 30, 2004, Unaudited Actuals	\$ 32,364,813	\$ 44,451,125
Increase in:		
Accounts payable	<u>(284,224)</u>	<u>(1,310,104)</u>
Balance, June 30, 2004, Audited Financial Statement	<u>\$ 32,080,589</u>	<u>\$ 43,141,021</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, 2004**

	(Adopted July Budget) 2005 ¹	2004	2003	2002
GENERAL FUND				
Revenues	\$ 172,737,251	\$ 173,058,747	\$ 175,501,633	\$ 174,173,038
Other sources and transfers in	700,000	5,606,385	1,900,000	1,553,969
Total Revenues and Other Sources	173,437,251	178,665,132	177,401,633	175,727,007
Expenditures	171,651,780	179,057,380	171,580,407	173,417,512
Other uses and transfers out	900,000	4,417,143	5,411,355	1,620,562
Total Expenditures and Other Uses	172,551,780	183,474,523	176,991,762	175,038,074
INCREASE (DECREASE) IN FUND BALANCE	\$ 885,471	\$ (4,809,391)	\$ 409,871	\$ 688,933
ENDING FUND BALANCE	\$ 13,943,917	\$ 13,058,446	\$ 17,867,837	\$ 17,457,966
AVAILABLE RESERVES ²	\$ 10,464,905	\$ 9,582,454	\$ 12,891,029	\$ 10,946,009
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	6.06%	5.22%	7.28%	6.25%
LONG-TERM DEBT	N/A	\$ 113,129,070	\$ 63,134,792	\$ 48,469,248
AVERAGE DAILY ATTENDANCE AT P-2 ³	25,700	25,584	25,339	25,092

The General Fund balance has decreased by \$4,399,520 over the past two years. The fiscal year 2004-2005 budget projects an increase of \$885,471 (6.8 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 two of the past three years, and anticipates incurring an operating surplus during the 2004-2005 fiscal year. Total long-term debt has increased by \$64,659,822 over the past two years.

Average daily attendance has increased by 492 over the past two years. An increase of 116 ADA is anticipated during fiscal year 2004-2005.

¹ Budget 2005 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, 2004**

	Adult Education Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Capital Outlay Fund
ASSETS				
Deposits and investments	\$ 122,608	\$ 588,457	\$1,257,379	\$ 8,349,710
Receivables	23,532	672	43,066	12,007
Total Assets	\$ 146,140	\$ 589,129	\$1,300,445	\$ 8,361,717
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 37,692	\$ 134,919	\$ 278,828	\$ 118,485
Due to other funds	13,141	-	104	257
Total Liabilities	50,833	134,919	278,932	118,742
Fund Balances:				
Unreserved:				
Undesignated, reported in:				
Special revenue funds	95,307	454,210	-	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	1,021,513	8,242,975
Total Fund Balances	95,307	454,210	1,021,513	8,242,975
Total Liabilities and Fund Balances	\$ 146,140	\$ 589,129	\$1,300,445	\$ 8,361,717

See accompanying note to supplementary information.

Capital Projects Component Unit Fund	Bond Interest and Redemption Fund	Debt Service Component Unit Fund	Non-Major Governmental Funds
\$ 3,872,680	\$ 3,504,321	\$ 2,822,475	\$ 20,517,630
-	1,702	-	80,979
<u>\$ 3,872,680</u>	<u>\$ 3,506,023</u>	<u>\$ 2,822,475</u>	<u>\$ 20,598,609</u>
\$ -	\$ -	\$ -	\$ 569,924
-	-	-	13,502
-	-	-	583,426
-	-	-	549,517
-	3,506,023	2,822,475	6,328,498
3,872,680	-	-	13,137,168
<u>3,872,680</u>	<u>3,506,023</u>	<u>2,822,475</u>	<u>20,015,183</u>
<u>\$ 3,872,680</u>	<u>\$ 3,506,023</u>	<u>\$ 2,822,475</u>	<u>\$ 20,598,609</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, 2004**

	Adult Education Fund	Deferred Maintenance Fund	Capital Facilities Fund
REVENUES			
Revenue limit sources	\$ 407,854	\$ -	\$ -
Federal sources	65,475	-	-
Other state sources	-	309,905	-
Other local sources	10,957	10,231	7,188,697
Total Revenues	<u>484,286</u>	<u>320,136</u>	<u>7,188,697</u>
EXPENDITURES			
Current			
Instruction	273,536	-	-
Instruction-related activities:			
School site administration	206,479	-	-
General administration:			
All other general administration	12,906	-	-
Plant services	-	1,109,420	2,724
Facility acquisition and construction	-	107,134	1,457,951
Debt service			
Principal	-	-	12,399
Interest and other	-	-	1,992
Total Expenditures	<u>492,921</u>	<u>1,216,554</u>	<u>1,475,066</u>
Excess (Deficiency) of			
Revenues Over Expenditures	<u>(8,635)</u>	<u>(896,418)</u>	<u>5,713,631</u>
Other Financing Sources (Uses):			
Transfers in	-	750,000	-
Other sources	-	-	-
Transfers out	-	-	(6,557,605)
Net Financing Sources (Uses)	<u>-</u>	<u>750,000</u>	<u>(6,557,605)</u>
NET CHANGE IN FUND BALANCES	<u>(8,635)</u>	<u>(146,418)</u>	<u>(843,974)</u>
Fund Balance - Beginning	103,942	600,628	1,865,487
Fund Balance - Ending	<u>\$ 95,307</u>	<u>\$ 454,210</u>	<u>\$ 1,021,513</u>

See accompanying note to supplementary information.

Special Reserve Capital Fund	Capital Projects Component Unit Fund	Bond Interest and Redemption Fund	Debt Service Component Unit Fund	Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 407,854
-	-	-	-	65,475
-	-	31,335	-	341,240
108,773	50,163	2,532,392	607,089	10,508,302
<u>108,773</u>	<u>50,163</u>	<u>2,563,727</u>	<u>607,089</u>	<u>11,322,871</u>
-	-	-	-	273,536
-	-	-	-	206,479
-	-	-	-	12,906
10,748	-	-	-	1,122,892
1,969,897	17,438,535	-	-	20,973,517
-	-	1,825,000	150,000	1,987,399
-	226,337	2,070,779	603,932	2,903,040
<u>1,980,645</u>	<u>17,664,872</u>	<u>3,895,779</u>	<u>753,932</u>	<u>27,479,769</u>
<u>(1,871,872)</u>	<u>(17,614,709)</u>	<u>(1,332,052)</u>	<u>(146,843)</u>	<u>(16,156,898)</u>
6,999,207	-	1,800,000	1,669,613	11,218,820
-	16,635,000	-	-	16,635,000
(700,000)	(4,475,589)	-	-	(11,733,194)
<u>6,299,207</u>	<u>12,159,411</u>	<u>1,800,000</u>	<u>1,669,613</u>	<u>16,120,626</u>
4,427,335	(5,455,298)	467,948	1,522,770	(36,272)
3,815,640	9,327,978	3,038,075	1,299,705	20,051,455
<u>\$ 8,242,975</u>	<u>\$ 3,872,680</u>	<u>\$ 3,506,023</u>	<u>\$ 2,822,475</u>	<u>\$ 20,015,183</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, 2004**

(Amounts in thousands)

	Actual Results for the Years					
	2003-2004		2002-2003		2001-2002	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	\$ 9,354	5.4	\$ 7,957	4.5	\$ 7,810	4.5
State and local revenue included in revenue limit	127,038	73.4	128,957	73.5	123,780	71.0
Other state revenue	31,486	18.2	31,915	18.2	38,070	21.9
Other local revenue	5,181	3.0	6,673	3.8	4,513	2.6
Total Revenues	<u>173,059</u>	<u>100.0</u>	<u>175,502</u>	<u>100.0</u>	<u>174,173</u>	<u>100.0</u>
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	91,180	52.7	92,244	52.6	91,311	52.4
Classified salaries	27,834	16.1	27,914	15.9	27,546	15.8
Employee benefits	28,589	16.5	26,666	15.2	25,186	14.5
Total Salaries and Benefits	147,603	85.3	146,824	83.7	144,043	82.7
Books and supplies	9,615	5.6	9,059	5.2	11,604	6.7
Contracts and operating expenses	16,975	9.8	16,005	9.2	14,862	8.5
Capital outlay	395	0.2	405	0.2	1,473	0.8
Other outgo	4,470	2.6	(756)	(0.5)	1,364	0.9
Debt service - interest and other	-	-	44	-	72	0.1
Total Expenditures	<u>179,058</u>	<u>103.5</u>	<u>171,581</u>	<u>97.8</u>	<u>173,418</u>	<u>99.7</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,999)	(3.5)	3,921	2.2	755	0.3
OTHER FINANCING SOURCES (USES)						
Net financing uses	1,189	0.7	(3,511)	(2.0)	(66)	(0.1)
INCREASE (DECREASE) IN FUND BALANCE	(4,810)	(2.8)	410	0.2	689	0.2
FUND BALANCE, BEGINNING	<u>17,868</u>		<u>17,458</u>		<u>16,769</u>	
FUND BALANCE, ENDING	<u>\$ 13,058</u>		<u>\$ 17,868</u>		<u>\$ 17,458</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, 2004**

(Amounts in thousands)

	Actual Results for the Years					
	2003-2004		2002-2003		2001-2002	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal - NSLP	\$ 2,572	47.2	\$ 2,496	47.0	\$ 2,538	46.5
State meal program	167	3.1	158	3.0	171	3.4
Food sales	2,701	49.5	2,623	49.3	2,486	48.7
Other	14	0.2	35	0.7	69	1.4
Total Revenues	<u>5,454</u>	<u>100.0</u>	<u>5,312</u>	<u>100.0</u>	<u>5,264</u>	<u>100.0</u>
EXPENDITURES						
Salaries and employee benefits	2,504	45.9	2,529	47.6	2,409	45.8
Food	2,695	49.4	2,627	49.5	2,536	48.2
Supplies	352	6.5	140	2.6	190	3.6
Other	388	7.1	305	5.7	861	16.3
Total Expenditures	<u>5,939</u>	<u>108.9</u>	<u>5,601</u>	<u>105.4</u>	<u>5,996</u>	<u>113.9</u>
INCREASE/(DECREASE) IN FUND BALANCE	(485)	<u>(8.9)</u>	(289)	<u>(5.4)</u>	(732)	<u>(13.9)</u>
FUND BALANCE, BEGINNING	2,475		2,764		3,496	
FUND BALANCE, ENDING	<u>\$ 1,990</u>		<u>\$ 2,475</u>		<u>\$ 2,764</u>	
ENDING FUND BALANCE TO TOTAL REVENUES		<u>36.5</u>		<u>46.6</u>		<u>52.5</u>

* * * * *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2003-2004		2002-2003		2001-2002	
	Amount	Percent	Amount	Percent	Amount	Percent
TYPE 'A' LUNCHES						
Paid	763,825	45.9	717,034	44.1	724,047	45.4
Reduced price	189,308	11.4	197,817	12.2	165,991	10.4
Free	712,630	42.8	709,396	43.7	705,714	44.2
Total Lunches	<u>1,665,763</u>	<u>100.0</u>	<u>1,624,247</u>	<u>100.0</u>	<u>1,595,752</u>	<u>100.0</u>
BREAKFAST						
Paid	107,540	22.9	121,595	25.7	125,444	26.7
Reduced price	65,399	14.0	63,286	13.4	57,193	12.2
Free	295,655	63.1	287,794	60.9	286,528	61.1
Total Breakfast	<u>468,594</u>	<u>100.0</u>	<u>472,675</u>	<u>100.0</u>	<u>469,165</u>	<u>100.0</u>

See accompanying note to supplementary information.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2004

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, 2004**

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

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, 2004, and have issued our report thereon dated September 17, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 an opinion 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 17, 2004.

Compliance and Other Matters

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*.

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.

Vassinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
September 17, 2004



**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, 2004. 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, 2004.

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.

Vavink, Trine, Day & Co., LLP

Rancho Cucamonga, California
September 17, 2004



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, 2004, and have issued our report thereon dated September 17, 2004. 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	6	Yes
Kindergarten continuance	3	Yes
Independent study	22	Yes
Continuation education	10	Yes
Adult education	9	Yes
Regional occupational centers and programs (ROP)	6	No, See below
Instructional time and staff development reform program	7	Yes
Instructional Time:		
School districts	4	Yes
County Offices of Education	3	Not Applicable
Community day schools	9	Not Applicable

	Procedures in Controller's Audit Guide	Procedures Performed
Class size reduction program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Yes
District or charter schools with only one school servicing K-3	4	Not Applicable
Instructional Materials:		
General requirements	9	Yes
K-8 only	1	Yes
9-12 only	1	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Early retirement incentive	4	Not Applicable
GANN limit calculation	1	Yes

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.

Vavinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
September 17, 2004

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, 2004**

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)	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027A, 84.173A</u>	<u>Special Education Cluster</u>
<u>84.318</u>	<u>Title II - Enhancing Education through Technology</u>
<u>84.365</u>	<u>Title III - English Language Acquisition Program</u>
<u>84.288</u>	<u>Title VII - Bilingual Education</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 363,880</u>
Auditee qualified as low-risk auditee?	<u>Yes</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, 2004**

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, 2004**

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, 2004**

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, 2004**

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

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September 17, 2004

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, 2004, 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 17, 2004, on the combining financial statements of Placentia-Yorba Linda Unified School District.

Finding

During our audit of the District's Accounts Payable balances, we noted several construction related liabilities not recorded in the Building and County School Facilities funds. Facilities and Planning staff at year-end had sent a letter to each of its vendors requesting outstanding invoices and estimated dollar amount for services, work, and/or materials through June 30, 2004. It appears further contact with vendors was needed – based upon the number of entries that were not recorded. The total amount of the unrecorded liabilities noted was \$1,594,327 (\$284,224 building and \$1,310,104 County School Facilities).

Recommendation

The District should implement procedures to ensure that all liabilities are recorded in the proper reporting period.

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

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