

**PLACENTIA-YORBA LINDA
UNIFIED SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2005

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

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PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

OF ORANGE COUNTY

PLACENTIA, CALIFORNIA

JUNE 30, 2005

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Dr. Craig Olson, D.D.S.	President	2008
Mrs. Karin Freeman	Vice President	2006
Mrs. Jan Wagner	Clerk	2006
Mrs. Carol Downey	Trustee	2008
Mrs. Judy Miner	Trustee	2008

ADMINISTRATION

Dr. Dennis M. Smith	Superintendent
Ms. Jeanie Cash	Assistant Superintendent, Educational Services
Mr. Robert A. Klempen	Assistant Superintendent, Administrative Services
Mr. Timothy VanEck	Assistant Superintendent, Personnel Services
Mr. David Verdugo	Assistant Superintendent, Executive Services

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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 Placentia-Yorba Linda Unified School District (the "District") as of and for the year ended June 30, 2005, 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 2004-2005*, prescribed in the California Code of Regulations, Title 5, Section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2005, 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 30, 2005, 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 conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 13 and budgetary comparison information on page 54, are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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.

The unaudited supplementary information listed in the table of contents, including the Combining Statements - Non-Major Governmental Funds, General Fund, and Cafeteria Fund Selected Financial Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Varvink, Irine, Day + Co., LLP

Rancho Cucamonga, California
September 30, 2005

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 Fresman
Judy Miner
Craig Olson, D.D.S.
Jan Wagner

This section of Placentia-Yorba Linda Unified School District's 2005 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2005. 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, 2005

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

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*, 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.

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.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

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.

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.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

Total net assets (Governmental Activities) increased by \$13 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 42.

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)	2005			2004		
	Governmental Activities	Business-Type Activities	School District Activities	Governmental Activities	Business-Type Activities	School District Activities
Current and other assets	\$ 115.8	\$ 4.8	\$ 120.6	\$ 142.2	\$ 4.9	\$ 147.1
Capital assets	232.9	2.1	235.0	160.8	2.2	163.0
Total Assets	348.7	6.9	355.6	303.0	7.1	310.1
Current liabilities	29.4	0.7	30.1	32.9	0.6	33.5
Long-term debt	149.3	-	149.3	113.1	-	113.1
Total Liabilities	178.7	0.7	179.4	146.0	0.6	146.6
Net assets						
Invested in capital assets, net of related debt	84.6	2.1	86.7	48.5	2.2	50.7
Restricted	70.9	-	70.9	98.0	-	98.0
Unrestricted	14.5	4.1	18.6	10.5	4.3	14.8
Total Net Assets	\$ 170.0	\$ 6.2	\$ 176.2	\$ 157.0	\$ 6.5	\$ 163.5

Major items included in total net assets are as follows:

1. Issuance of voter approved General Obligation Bond (GOB) Series C, Measure Y- \$27 million.
2. Construction cost incurred due to modernization and/or renovation of various existing school sites and new construction at Melrose Elementary site, which opened its doors to students in September 2004.
3. Debt increase with the above issuance of GOB Series C, Measure Y.
4. Capital Lease agreement number 2 with SunTrust Leasing, principal amount \$10 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, 2005

Table 2

(Amounts in millions)	2005			2004		
	Governmental Activities	Business-Type Activities	School District Activities	Governmental Activities	Business-Type Activities	School District Activities
Revenues						
<u>Program revenues:</u>						
Charges for services	\$ 3.4	\$ 7.3	\$ 10.7	\$ 5.2	\$ 7.3	\$ 12.5
Operating grants and contributions	37.5	3.1	40.6	35.7	2.8	38.5
Capital grants and contributions	10.7	-	10.7	58.0	-	58.0
<u>General revenues:</u>						
State revenue limit sources	74.4	-	74.4	62.8	-	62.8
Property taxes	72.2	-	72.2	77.9	-	77.9
Other general revenues	9.4	0.1	9.5	6.4	0.1	6.5
Total Revenues	207.6	10.5	218.1	246.0	10.2	256.2
Expenses						
Instruction related	143.8	-	143.8	138.2	-	138.2
Student support services	11.3	-	11.3	10.8	-	10.8
Administration	7.9	-	7.9	7.9	-	7.9
Maintenance and operations	21.9	-	21.9	24.2	-	24.2
Other	9.7	10.8	20.5	6.6	13.3	19.9
Total Expenses	194.6	10.8	205.4	187.7	13.3	201.0
Change in Net Assets	\$ 13.0	\$ (0.3)	\$ 12.7	\$ 58.3	\$ (3.1)	\$ 55.2

Governmental Activities

The District's change in net assets decreased by \$45.3 million from 2004. This major decrease was a result of less Capital Grant funds received in the current year. The governmental fund that was affected was the County Facilities Fund 39/Prop. 47. There was also an overall increase in general revenues; State revenue limit sources increased by \$5.9 million due to a change in funding of 3.32 percent COLA, and deficit reduction. Other changes were as follows:

1. The total expenses of all governmental activities this year was \$194.6 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 - \$37.5 million.
4. Fee based programs were paid for by the end users of the District's programs - \$3.4 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, 2005

Table 3

(Amounts in millions)	2005		2004	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 132.3	\$ 93.1	\$ 127.2	\$ 40.0
Other pupil services	11.3	7.3	10.8	6.8
School administration	11.5	11.1	11.0	10.7
General administration	7.9	4.2	7.9	7.4
Maintenance and operations	21.9	21.2	24.2	23.6
Other	9.7	6.1	6.6	0.2
Totals	\$ 194.6	\$ 143.0	\$ 187.7	\$ 88.7

Net cost of services increased due to a reduction of funds received from the School Facilities Grant Program.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$85.5 million and \$108.3 million for June 30, 2005 and June 30, 2004, respectively, which was a decrease of \$22.8 million from last year (Table 4).

Table 4

(Amounts in millions)	Fund Balance	
	June 30, 2005	June 30, 2004
General	\$ 12.7	\$ 13.1
Measure Y Building	36.9	32.1
County school facilities	10.7	43.1
Adult education	0.1	0.1
Deferred maintenance	0.5	0.5
Bond interest and redemption	4.8	3.5
Capital facilities	4.6	1.0
Special reserve - capital	8.9	8.2
Other - COP and CFD	6.3	6.7
Totals	\$ 85.5	\$ 108.3

The primary reason for the decrease in total for all funds is as follows:

Increase in expenditures for modernization and/or renovation of various school sites. The majority of the expense was incurred in the School Facility Grant, Fund 39/Prop. 47.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

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. 37
Accounts Payable	Pg. 41
Fund Balances	Pg. 48

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 54.

- Significant revenue revisions made to the 2004-2005 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 is 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, 2005 and June 30, 2004, the District had \$233 million and \$160.8 million, respectively, 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, 2005

Table 5

(Amounts in millions)	2005			2004		
	Governmental	Business-Type	Totals	Governmental	Business-Type	Totals
	Activities	Activities		Activities	Activities	
Land and construction in process	\$ 159.7	\$ -	\$ 159.7	\$ 103.5	\$ -	\$ 103.5
Buildings and improvements	69.9	1.9	71.8	54.0	2.1	56.1
Equipment	3.4	0.2	3.6	3.3	0.1	3.4
Totals	\$ 233.0	\$ 2.1	\$ 235.1	\$ 160.8	\$ 2.2	\$ 163.0

Capital assets increased due to activity on construction projects at various school sites. New construction occurred at the Lakeview Elementary site. Major modernization cost over \$3.3 million per project at Valencia and Esperanza High Schools along with Topaz, Glenview, and Glenknoll Elementary Schools.

Outstanding Debt

Table 6

(Amounts in millions)	2005			2004		
	Governmental	Business-Type	Totals	Governmental	Business-Type	Totals
	Activities	Activities		Activities	Activities	
General obligation bonds (financed with property taxes)	\$ 103.2	\$ -	\$ 103.2	\$ 76.4	\$ -	\$ 76.4
Community facilities district	5.5	-	5.5	5.5	-	5.5
Certificates of participation	21.9	-	21.9	22.0	-	22.0
Compensated absences	0.9	-	0.9	0.7	-	0.7
Capitalized lease obligations	15.1	-	15.1	4.9	-	4.9
PARS supplementary retirement plan	2.7	-	2.7	3.6	-	3.6
Totals	\$ 149.3	\$ -	\$ 149.3	\$ 113.1	\$ -	\$ 113.1

Debt Increase's occurred as follows:

- General Obligation Bonds – Series C issued for the amount of \$27 million.
- Capitalized Lease Obligations – Lease agreement number 2 with SunTrust Leasing Corporation to pay for energy savings for purchase of equipment and site improvements – \$10 million.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2005-2006 year, the District board and management used the following assumptions:

The Summary of Assumptions is as follows:

INCOME

Revenue Sources

- Cost of Living Adjustment (COLA) of 4.23 percent and a deficit of 1.129 percent.
- Student Growth of zero.
- State Revenue Sources.
 - COLA and growth for statutorily authorized categorical programs.
- Class Size Reduction.
 - Grades 1-2, \$967 per enrolled student.
 - Kindergarten: \$484 per enrolled student.
- Staff Development Buyout.
Funds based on prior years 2003/04 teacher credential count times \$800.
- State Lottery: \$138 per ADA.
 - \$117 per ADA Unrestricted.
 - \$21 per ADA for Proposition 20 (instructional materials, textbooks, etc.).
- Deferred Maintenance 100 percent of ½ percent of 1 percent level.
- Educational Pool Interest Earned at a rate of 2.7 percent.

EXPENDITURES

Certificated Salaries

- Step and Column movements budgeted for certificated employees.
- Since negotiations for the 2005-2006 fiscal year have not begun, no salary cost-of-living adjustments have been budgeted.

Classified Salaries

- Step and Column movements budgeted for classified employees.
- Since negotiations for the 2005-2006 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, 2005

Estimated Employee Benefits

- Health and Welfare benefit: \$8,657.54 per active employee.
- Rates:
 - State Teachers' Retirement System (STRS): 10.25 percent.
 - Public Employees Retirement System (PERS): 9.952 percent.
 - PERS Reduction (recapture by State of PERS expense savings): 3.068 percent.
 - Social Security (OASDI): 6.20 percent.
 - Medicare: 1.45 percent.
 - Unemployment Insurance: .45 percent
 - Workers' Compensation (contribution to Self-Insurance Fund): 1.58 percent

Other Services and Operating Expenditures

- Contribution to Comprehensive Property and Liability Insurance Funds: \$800,000.
- Early Retirement incentive (PARS Retirement Plan) started 2004-2005: \$887,650.

Other Financing Sources/Uses

- Transfer to Deferred Maintenance Fund as State match: \$900,000.
- Contributions to Restricted Programs (encroachment): \$9,923,219.

We anticipate a minimum 3 percent reserve for the 2005-2006 year end unrestricted fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, 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, 2005**

Assets	Governmental Activities	Business-Type Activities	Total
Deposits and investments	\$ 101,458,821	\$ 3,815,892	\$ 105,274,713
Receivables	10,541,863	1,206,525	11,748,388
Internal balances	494,161	(494,161)	-
Prepaid expenses	2,872,276	-	2,872,276
Stores inventories	394,233	247,035	641,268
Capital assets			
Land and construction in process	159,653,319	84,048	159,737,367
Other capital assets	128,384,457	3,001,895	131,386,352
Less: Accumulated depreciation	(55,099,298)	(947,747)	(56,047,045)
Total capital assets	<u>232,938,478</u>	<u>2,138,196</u>	<u>235,076,674</u>
TOTAL ASSETS	<u><u>\$ 348,699,832</u></u>	<u><u>\$ 6,913,487</u></u>	<u><u>\$ 355,613,319</u></u>
Liabilities			
Accounts payable	\$ 21,494,726	\$ 688,008	\$ 22,182,734
Accrued interest	1,601,764	-	1,601,764
Deferred revenue	1,161,931	-	1,161,931
Claims liability	5,114,351	-	5,114,351
Long-term liabilities			
Current portion of long-term obligations	3,721,708	-	3,721,708
Noncurrent portion of long-term obligations	145,614,941	-	145,614,941
Total long-term liabilities	<u>149,336,649</u>	<u>-</u>	<u>149,336,649</u>
TOTAL LIABILITIES	<u>178,709,421</u>	<u>688,008</u>	<u>179,397,429</u>
Net Assets			
Invested in capital assets, net of related debt	84,570,573	2,138,196	86,708,769
Restricted for:			
Debt service	-	-	-
Capital projects	64,890,647	-	64,890,647
Educational programs	3,112,628	-	3,112,628
Other activities	601,376	-	601,376
Unrestricted	16,815,187	4,087,283	20,902,470
TOTAL NET ASSETS	<u><u>\$ 169,990,411</u></u>	<u><u>\$ 6,225,479</u></u>	<u><u>\$ 176,215,890</u></u>

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, 2005**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 123,829,088	\$ 701,622	\$ 21,002,127	\$ 10,661,748
Instruction-related activities:				
Supervision of instruction	7,690,868	1,367,767	5,418,046	-
Instructional library, media, and technology	739,484	-	62	-
School site administration	11,540,717	6,225	403,726	-
Pupil services:				
Home-to-school transportation	4,784,461	305,047	1,598,708	-
Food services	7,507	-	-	-
All other pupil services	6,508,968	130,280	1,926,556	-
General administration:				
Data processing	3,004,986	-	-	-
All other general administration	4,859,660	72,252	3,563,336	-
Plant services	20,207,783	32,511	742,628	-
Facility acquisition and construction	1,777,366	-	-	-
Community services	72,580	-	72,619	-
Enterprise services	501,403	-	-	-
Interest on long-term debt	6,646,077	-	-	-
Other outgo	2,459,248	743,572	2,820,797	-
Total Governmental-Type Activities	194,630,196	3,359,276	37,548,605	10,661,748
Business-Type Activities:				
Food services	5,979,370	2,761,307	2,961,967	-
Child development	4,784,418	4,526,807	152,709	-
Total Business-Type Activities	10,763,788	7,288,114	3,114,676	-
Total School District	\$ 205,393,984	\$ 10,647,390	\$ 40,663,281	\$ 10,661,748

General revenues and subventions:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Federal and State aid not restricted to specific purposes

Interest and investment earnings

Miscellaneous

Subtotal, General Revenues

Change in Net Assets

Net Assets - Beginning, Net 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
\$ (91,463,591)	\$ -	\$ (91,463,591)
(905,055)	-	(905,055)
(739,422)	-	(739,422)
(11,130,766)	-	(11,130,766)
(2,880,706)	-	(2,880,706)
(7,507)	-	(7,507)
(4,452,132)	-	(4,452,132)
(3,004,986)	-	(3,004,986)
(1,224,072)	-	(1,224,072)
(19,432,644)	-	(19,432,644)
(1,777,366)	-	(1,777,366)
39	-	39
(501,403)	-	(501,403)
(6,646,077)	-	(6,646,077)
1,105,121	-	1,105,121
<u>(143,060,567)</u>	<u>-</u>	<u>(143,060,567)</u>
-	(256,096)	(256,096)
-	(104,902)	(104,902)
-	(360,998)	(360,998)
<u>(143,060,567)</u>	<u>(360,998)</u>	<u>(143,421,565)</u>
66,729,434	-	66,729,434
5,471,339	-	5,471,339
74,426,024	-	74,426,024
983,697	85,349	1,069,046
8,429,215	8,208	8,437,423
<u>156,039,709</u>	<u>93,557</u>	<u>156,133,266</u>
12,979,142	(267,441)	12,711,701
157,011,269	6,492,920	163,504,189
<u>\$ 169,990,411</u>	<u>\$ 6,225,479</u>	<u>\$ 176,215,890</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2005

	General Fund	Measure Y Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Deposits and investments	\$ 14,558,935	\$ 39,039,784	\$ 16,406,651	\$ 25,785,770	\$ 95,791,140
Receivables	10,250,223	112,908	30,998	129,019	10,523,148
Due from other funds	768,385	1,720,527	-	40,681	2,529,593
Prepaid expenses	887,650	-	-	-	887,650
Stores inventories	394,233	-	-	-	394,233
Total Assets	\$ 26,859,426	\$ 40,873,219	\$ 16,437,649	\$ 25,955,470	\$ 110,125,764
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 12,746,964	\$ 3,875,720	\$ 4,032,162	\$ 734,093	\$ 21,388,939
Due to other funds	291,015	125	1,688,346	54,047	2,033,533
Deferred revenue	1,161,931	-	-	-	1,161,931
Total Liabilities	14,199,910	3,875,845	5,720,508	788,140	24,584,403
FUND BALANCES					
Reserved	4,563,511	-	-	-	4,563,511
Unreserved:					
Designated, reported in:					
General Fund	8,096,005	-	-	-	8,096,005
Special revenue funds	-	-	-	601,376	601,376
Capital projects funds	-	36,997,374	10,717,141	17,176,132	64,890,647
Undesignated, reported in:					
Debt service funds	-	-	-	7,389,822	7,389,822
Total Fund Balance	12,659,516	36,997,374	10,717,141	25,167,330	85,541,361
Total Liabilities and Fund Balances	\$ 26,859,426	\$ 40,873,219	\$ 16,437,649	\$ 25,955,470	\$ 110,125,764

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, 2005

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

Total Fund Balance - Governmental Funds	\$ 85,541,361
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	\$ 288,037,776
Accumulated depreciation is the following	<u>(55,099,298)</u> 232,938,478
Expenditures relating to issuance of debt of next fiscal year were recognized on modified accrual basis, but should not be recognized on accrual basis.	1,984,626
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.	(1,601,764)
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:	464,359
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	(103,262,475)
Certificates of participation	(21,885,000)
Special tax revenue bonds	(5,505,000)
Capital lease obligations	(15,052,482)
Compensated absences	(968,744)
Other long-term payables	<u>(2,662,948)</u> (149,336,649)
Total Net Assets - Governmental Activities	<u>\$ 169,990,411</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, 2005**

	General Fund	Measure Y Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Revenue limit sources	\$ 131,856,359	\$ -	\$ -	\$ 491,424	\$ 132,347,783
Federal sources	10,743,892	-	-	22,449	10,766,341
Other State sources	34,775,721	-	10,239,224	1,078,414	46,093,359
Other local sources	5,597,598	579,400	437,585	10,257,728	16,872,311
Total Revenues	182,973,570	579,400	10,676,809	11,850,015	206,079,794
EXPENDITURES					
Current					
Instruction	120,408,102	-	-	248,030	120,656,132
Instruction-related activities:					
Supervision of instruction	7,583,714	-	-	5,728	7,589,442
Instructional library, media, and technology	702,984	-	-	-	702,984
School site administration	11,009,005	-	-	233,500	11,242,505
Pupil Services:					
Home-to-school transportation	4,775,858	-	-	-	4,775,858
Food services	2,210	-	-	-	2,210
All other pupil services	6,470,695	-	-	-	6,470,695
General administration:					
Data processing	3,002,933	-	-	-	3,002,933
All other general administration	5,626,547	-	-	22,223	5,648,770
Plant services	18,632,320	-	-	1,337,866	19,970,186
Facility acquisition and construction	1,589,416	22,093,759	43,113,874	10,633,354	77,430,403
Community services	72,550	-	-	-	72,550
Enterprise services	500,000	-	-	-	500,000
Debt service					
Principal	151,831	-	-	3,403,978	3,555,809
Interest and other	37,930	2,327,112	-	4,271,210	6,636,252
Total Expenditures	180,566,095	24,420,871	43,113,874	20,155,889	268,256,729
Excess (Deficiency) of Revenues Over Expenditures	2,407,475	(23,841,471)	(32,437,065)	(8,305,874)	(62,176,935)
Other Financing Sources (Uses):					
Transfers in	930,000	-	13,185	4,900,548	5,843,733
Other sources	1,091,972	29,326,722	-	11,463,611	41,882,305
Transfers out	(2,369,129)	(568,466)	-	(2,906,138)	(5,843,733)
Other uses	(2,459,248)	-	-	-	(2,459,248)
Net Financing Sources (Uses)	(2,806,405)	28,758,256	13,185	13,458,021	39,423,057
NET CHANGE IN FUND BALANCES	(398,930)	4,916,785	(32,423,880)	5,152,147	(22,753,878)
Fund Balance - Beginning	13,058,446	32,080,589	43,141,021	20,015,183	108,295,239
Fund Balance - Ending	\$ 12,659,516	\$ 36,997,374	\$ 10,717,141	\$ 25,167,330	\$ 85,541,361

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, 2005

Total Net Change in Fund Balances - Governmental Funds **\$ (22,753,878)**
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	\$ 75,653,771	
Depreciation expense	<u>(3,550,017)</u>	72,103,754

Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net assets. (11,080,957)

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 less than the amounts earned by \$219,942. (219,942)

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 (26,999,610)

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 (2,202,336)
 Cost of issuance 497,821

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 2,455,000
 Certificates of participation 150,000
 Capital lease obligations 954,584
 Other long-term debt 887,650

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 \$484,289, and second, \$151,968, of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds. (636,197)

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. (176,747)

Change in Net Assets of Governmental Activities **\$ 12,979,142**

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, 2005**

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Child Care	Cafeteria	Total	
ASSETS				
Current Assets				
Deposits and investments	\$2,774,377	\$1,041,515	\$3,815,892	\$ 5,667,681
Receivables	108,623	1,097,902	1,206,525	18,715
Due from other funds	887	45,816	46,703	200,012
Stores inventories	-	247,035	247,035	-
Total Current Assets	2,883,887	2,432,268	5,316,155	5,886,408
Noncurrent Assets				
Capital assets	2,505,118	580,825	3,085,943	-
Less: accumulated depreciation	(475,997)	(471,750)	(947,747)	-
Total Noncurrent Assets	2,029,121	109,075	2,138,196	-
Total Assets	4,913,008	2,541,343	7,454,351	5,886,408
LIABILITIES				
Current Liabilities				
Accounts payable	374,439	313,569	688,008	105,787
Due to other funds	213,348	327,516	540,864	201,911
Claim liabilities	-	-	-	5,114,351
Total Current Liabilities	587,787	641,085	1,228,872	5,422,049
NET ASSETS				
Invested in capital assets, net of related debt	2,029,121	109,075	2,138,196	-
Unrestricted	2,296,100	1,791,183	4,087,283	464,359
Total Net Assets	\$4,325,221	\$1,900,258	\$6,225,479	\$ 464,359

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, 2005**

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Child Care	Cafeteria	Total	
OPERATING REVENUES				
Charges for services	\$ 4,526,807	\$ 2,761,307	\$ 7,288,114	\$ -
Charges to other funds and miscellaneous revenues	1,500	-	1,500	20,180,744
Total Operating Revenues	<u>4,528,307</u>	<u>2,761,307</u>	<u>7,289,614</u>	<u>20,180,744</u>
OPERATING EXPENSES				
Payroll costs	3,900,728	2,615,903	6,516,631	232,250
Professional and contract services	165,352	59,592	224,944	20,167,437
Supplies and materials	248,234	2,887,725	3,135,959	11,701
Facility rental	13,919	100,610	114,529	1,021
Other operating cost	307,562	274,860	582,422	-
Depreciation	148,621	40,680	189,301	-
Total Operating Expenses	<u>4,784,416</u>	<u>5,979,370</u>	<u>10,763,786</u>	<u>20,412,409</u>
Operating Loss	<u>(256,109)</u>	<u>(3,218,063)</u>	<u>(3,474,172)</u>	<u>(231,665)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	57,235	28,113	85,348	54,918
Grants	159,417	2,961,967	3,121,384	-
Total Nonoperating Revenues (Expenses)	<u>216,652</u>	<u>2,990,080</u>	<u>3,206,732</u>	<u>54,918</u>
Change in Net Assets	<u>(39,457)</u>	<u>(227,983)</u>	<u>(267,440)</u>	<u>(176,747)</u>
Total Net Assets - Beginning	<u>4,364,678</u>	<u>2,128,241</u>	<u>6,492,919</u>	<u>641,106</u>
Total Net Assets - Ending	<u>\$ 4,325,221</u>	<u>\$ 1,900,258</u>	<u>\$ 6,225,479</u>	<u>\$ 464,359</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, 2005**

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Child Care	Cafeteria	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from user charges	\$ 4,489,213	\$ 2,384,399	\$ 6,873,612	\$ 20,166,684
Cash received from assessments made to other funds	-	-	-	693,107
Cash payments to employees for services	(3,824,905)	(2,441,137)	(6,266,042)	(232,250)
Cash payments for insurance claims	-	-	-	(895,125)
Cash payments to suppliers for goods and services	(413,586)	(2,964,026)	(3,377,612)	(14,972)
Cash payments for facility use	(13,919)	(100,610)	(114,529)	-
Cash payments for other operating expenses	(307,562)	(274,860)	(582,422)	(19,951,389)
Net Cash Used for Operating Activities	(70,759)	(3,396,234)	(3,466,993)	(233,945)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Nonoperating grants received	159,417	2,961,967	3,121,384	-
Net Cash Provided from Noncapital Financing Activities	159,417	2,961,967	3,121,384	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(75,213)	(12,005)	(87,218)	-
Net Cash Used for Capital and Related Financing Activities	(75,213)	(12,005)	(87,218)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	57,235	28,113	85,348	54,918
Net Cash Provided from Investing Activities	57,235	28,113	85,348	54,918
Net increase (decrease) in cash and cash equivalents	70,680	(418,159)	(347,479)	(179,027)
Cash and cash equivalents - Beginning	2,703,697	1,459,674	4,163,371	5,846,708
Cash and cash equivalents - Ending	\$ 2,774,377	\$ 1,041,515	\$ 3,815,892	\$ 5,667,681
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating loss	\$ (256,109)	\$ (3,218,063)	\$ (3,474,172)	\$ (231,665)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:				
Depreciation	148,621	40,680	189,301	-
Changes in assets and liabilities:				
Receivables	(38,207)	(331,362)	(369,569)	(14,060)
Due from other fund	(887)	(45,546)	(46,433)	693,107
Inventories	-	(16,709)	(16,709)	-
Accrued liabilities	1,867	33,941	35,808	(79,173)
Due to other fund	73,956	140,825	214,781	(602,154)
NET CASH USED BY OPERATING ACTIVITIES	\$ (70,759)	\$ (3,396,234)	\$ (3,466,993)	\$ (233,945)
NONCASH, NONCAPITAL FINANCING ACTIVITIES				

During the year, the District received \$62,620 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, 2005**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 822,085
Total Assets	<u>\$ 822,085</u>
 LIABILITIES	
Due to student groups	\$ 822,085
Total Liabilities	<u>\$ 822,085</u>

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

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

Other Related Entities

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. 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, 2005

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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.

Energy Conservation Debt Service Fund The Energy Conservation Debt Service Fund is used to account for the interest and redemption of principal of the capital lease obligation.

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.

Energy Conservation Capital Fund The Energy Conservation Capital Fund is used to account for funds used for the designated construction project.

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 are the District's enterprise funds:

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

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

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

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

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

Basis of Accounting - Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. 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. Non-major 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

JUNE 30, 2005

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. 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.

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.

Investments

Investments held at June 30, 2005, 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.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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.

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.

Stores Inventory

Inventories consist of expendable food and supplies held for consumption. 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.

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. 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 in the government-wide statement of net assets. 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 is the same as those used for the capital assets of governmental funds.

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.

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.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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.

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.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and 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 liabilities in the governmental fund financial statements when due.

Bond Issuance Costs, Premiums, and Discounts

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

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

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.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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.

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 first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements reports \$75,994,473 of restricted net assets.

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.

Interfund Activity

Transfers between governmental and business-type activities in 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.

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.

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.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

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.

Changes in Accounting Principles

In March 2003, the Governmental Accounting Standards Board (GASB) issued GASBS No. 40, *Deposit and Investment Risk Disclosures an amendment of GASB Statement No. 3*. This Statement addressed common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in the Statement also should be disclosed. As such, the District has made the applicable required disclosures.

New Accounting Pronouncements

In November 2003, GASB issued GASBS No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This Statement establishes guidance for accounting and reporting for impairment of capital assets and for insurance recoveries, whether associated with an impaired capital asset or not. This Statement is effective for periods beginning after December 31, 2004, or during the 2005-2006 fiscal year.

In July 2004, GASB issued GASBS No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement will require local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

This Statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2008. The District is in the process of determining the impact the implementation of this Statement will have on the government-wide statement of net assets and activities.

In December 2004, GASB issued GASBS No. 46, Net Assets Restricted by Enabling Legislation. This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government, such as citizens, public interest groups, or the judiciary, can compel a government to honor. The Statement states that the legal enforceability of an enabling legislation restriction should be reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if a government has other cause for reconsideration. Although the determination that a particular restriction is not legally enforceable may cause a government to review the enforceability of other restrictions, it should not necessarily lead a government to the same conclusion for all enabling legislation restrictions.

This Statement also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. Finally, this Statement requires governments to disclose the portion of total net assets that is restricted by enabling legislation. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2005.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2005, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 101,458,821
Business-type activities	3,815,892
Fiduciary funds	822,085
Total Deposits and Investments	<u>\$ 106,096,798</u>

Deposits and investments as of June 30, 2005, consist of the following:

Cash on hand and in banks	\$ 1,183,405
Cash in revolving	169,000
Investments	104,744,393
Total Deposits and Investments	<u>\$ 106,096,798</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

Policies and Practices

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

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

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Fair Value	Maturity Date/Average Time to Maturity
U.S. Treasury Money Market Fund	\$ 1,825,729	7 days
BNY Hamilton Treasury Money Fund	1,640,168	42 days
First American Treasury Obligations Money Market Mutual Funds	2,331,158	8 days
Federal National Mortgage Assosiation	399,812	5/15/2006
County Pool	98,481,648	107 days
Total	<u>\$ 104,678,515</u>	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the rating as of the year-end for each investment type.

Investment Type	Fair Value	Rating as of Year End
U.S. Treasury Money Market Fund	\$ 1,825,729	*
BNY Hamilton Treasury Money Fund	1,640,168	AAA
First American Treasury Obligation Money Market Mutual Funds	2,331,158	AAA
Federal National Mortgage Assosiation	399,812	AAA
County Pool	98,481,648	AAA
Total	<u>\$ 104,678,515</u>	

* Not required to be rated.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a policy for custodial credit risk for deposits. Monies so deposited shall be fully-insured or collateralized accounts or instruments. California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2005, the District's bank balance of \$710,121 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in Federal National Mortgage Association of \$399,812 the District has a custodial credit risk exposure of \$399,812 because the related securities are uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 3 - RECEIVABLES

Receivables at June 30, 2005, 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	\$ 1,471,184	\$ -	\$ -	\$ 11,225	\$ -
State Government					
Apportionment	3,342,803	-	-	64,644	-
Categorical aid	2,525,988	-	-	-	-
Lottery	1,952,510	-	-	-	-
Local Government					
Interest	72,862	69,003	19,617	41,474	8,621
Other Local Sources	884,876	43,905	11,381	11,676	10,094
Total	<u>\$ 10,250,223</u>	<u>\$ 112,908</u>	<u>\$ 30,998</u>	<u>\$ 129,019</u>	<u>\$ 18,715</u>

	Total Governmental Activities	Total Enterprise Funds
Federal Government		
Categorical aid	\$ 1,482,409	\$ 842,282
State Government		
Apportionment	3,407,447	-
Categorical aid	2,525,988	151,833
Lottery	1,952,510	-
Local Government		
Interest	211,577	10,176
Other Local Sources	961,932	202,234
Total	<u>\$ 10,541,863</u>	<u>\$ 1,206,525</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 31,592,010	\$ 3,908,057	\$ -	\$ 35,500,067
Construction in process	71,980,333	74,476,759	22,303,840	124,153,252
Total Capital Assets Not Being Depreciated	<u>103,572,343</u>	<u>78,384,816</u>	<u>22,303,840</u>	<u>159,653,319</u>
Capital Assets Being Depreciated				
Buildings and improvements	96,479,129	18,583,628	12,665	115,050,092
Furniture and equipment	12,407,578	989,167	62,380	13,334,365
Total Capital Assets Being Depreciated	<u>108,886,707</u>	<u>19,572,795</u>	<u>75,045</u>	<u>128,384,457</u>
Less Accumulated Depreciation				
Buildings and improvements	42,508,500	2,627,573	12,665	45,123,408
Furniture and equipment	9,115,826	922,444	62,380	9,975,890
Total Accumulated Depreciation	<u>51,624,326</u>	<u>3,550,017</u>	<u>75,045</u>	<u>55,099,298</u>
Governmental Activities Capital Assets, Net	<u>\$160,834,724</u>	<u>\$94,407,594</u>	<u>\$22,303,840</u>	<u>\$232,938,478</u>
Business-Type Activities				
Capital Assets Not Being Depreciated				
Construction in process	\$ -	\$ 84,048	\$ -	\$ 84,048
Total Capital Assets Not Being Depreciated	<u>-</u>	<u>84,048</u>	<u>-</u>	<u>84,048</u>
Capital Assets Being Depreciated				
Buildings and improvements	2,429,905	3,170	-	2,433,075
Furniture and equipment	568,820	-	-	568,820
Total Capital Assets Being Depreciated	<u>2,998,725</u>	<u>3,170</u>	<u>-</u>	<u>3,001,895</u>
Less Accumulated Depreciation				
Buildings and improvements	327,376	145,749	-	473,125
Furniture and equipment	431,070	43,552	-	474,622
Total Accumulated Depreciation	<u>758,446</u>	<u>189,301</u>	<u>-</u>	<u>947,747</u>
Business-Type Activities Capital Assets, Net	<u>\$ 2,240,279</u>	<u>\$ (102,083)</u>	<u>\$ -</u>	<u>\$ 2,138,196</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

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

Governmental Activities:

Instruction	\$ 3,017,515
Supervision of instruction	35,500
Instructional library, media, and technology	35,500
School site administration	284,001
All other general administration	35,500
Plant services	<u>142,001</u>
Total Depreciation Expenses Governmental Activities	<u>3,550,017</u>

Business-Type Activities:

Child development	148,621
Food service	<u>40,680</u>
Total Depreciation Expenses Business-Type Activities	<u>189,301</u>
Total Depreciation Expenses All Activities	<u><u>\$ 3,739,318</u></u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2005, between major and non-major governmental funds, non-major enterprise funds and internal service funds are as follows:

Due To	Due From						Total
	General	Measure Y Building Fund	County School Facilities Fund	Non-Major Governmental	Enterprise	Internal Service	
General	\$ -	\$ 125	\$ 37	\$ 27,561	\$ 539,191	\$ 201,471	\$ 768,385
Building	6,538	-	1,688,309	25,680	-	-	1,720,527
Non-Major governmental	39,875	-	-	806	-	-	40,681
Enterprise	45,897	-	-	-	806	-	46,703
Internal service	198,705	-	-	-	867	440	200,012
Total	<u>\$ 291,015</u>	<u>\$ 125</u>	<u>\$ 1,688,346</u>	<u>\$ 54,047</u>	<u>\$ 540,864</u>	<u>\$ 201,911</u>	<u>\$ 2,776,308</u>

The balance of \$198,705 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 \$213,348 due to the General Fund from the Child Development Enterprise Fund resulted from payroll and support cost reimbursements.

The balance of \$325,844 due to the General Fund from the Cafeteria Enterprise Fund resulted from payroll and support cost reimbursements.

The balance of \$1,688,309 due to the Building Fund from the County School Facilities Fund resulted from construction cost reimbursements.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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.

Operating Transfers

Interfund transfers for the year ended June 30, 2005, consisted of the following:

Transfer To	Transfer From			Total
	General	Measure Y Building	Non-Major Governmental	
General	\$ -	\$ -	\$ 930,000	\$ 930,000
County School Facilities	-	13,185	-	13,185
Non-Major Governmental	2,369,129	555,281	1,976,138	4,900,548
Total	<u>\$ 2,369,129</u>	<u>\$ 568,466</u>	<u>\$ 2,906,138</u>	<u>\$ 5,843,733</u>

The General Fund transferred to the Deferred Maintenance Fund for State match.	\$ 900,000
The General Fund transferred to the Special Reserve (Capital) Fund for redevelopment funds.	1,080,388
The General Fund transferred to the Capital Facilities Fund for lease payment.	35,822
The General Fund transferred to the Debt Service Fund for debt payment.	352,919
The Deferred Maintenance Fund transferred to the Energy Conservation Debt Service Fund for debt payments.	400,000
The Building Fund transferred to the Energy Conservation Debt Service Fund for debt payments.	555,281
The Building Fund transferred to the County School Facilities Fund for 20 percent match for Prop 47 modernization projects.	13,185
The Special Reserve Fund transferred to the General Fund for construction costs (maintenance support Yorba Linda students).	930,000
The Special Reserve Capital Outlay Fund transferred to the Energy Conservation Debt Service Fund for debt payments.	293,405
The CFD Fund transferred to the Debt Service Fund for debt service payments.	30,663
The CFD Fund transferred to the Special Reserve for Capital Outlay Fund for construction costs reimbursement.	1,252,070
Total	<u>\$ 5,843,733</u>

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

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2005, consisted of the following:

	General	Measure Y Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Internal Service Fund
Vendor payables	\$ 357,549	\$ 220,571	\$ 42,072	\$ 117,406	\$ 28,230
State apportionment	1,560,240	-	-	-	-
Salaries and benefits	7,984,482	-	-	42,900	16,332
Other operating services	2,170,450	6,708	-	12,175	61,225
Construction	32,582	3,648,441	3,990,090	561,612	-
Other significant payables	641,661	-	-	-	-
Total	<u>\$ 12,746,964</u>	<u>\$3,875,720</u>	<u>\$ 4,032,162</u>	<u>\$ 734,093</u>	<u>\$ 105,787</u>

	Total Governmental Activities	Total Enterprise Funds
Vendor payables	\$ 765,828	\$ 70,132
State apportionment	1,560,240	-
Salaries and benefits	8,043,714	586,771
Other operating services	2,250,558	12,975
Construction	8,232,725	18,130
Other significant payables	641,661	-
Total	<u>\$ 21,494,726</u>	<u>\$ 688,008</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2005, consists of the following:

	General
Federal financial assistance	\$ 469,505
State categorical aid	692,426
Total	<u>\$ 1,161,931</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 8 - LONG-TERM LIABILITIES

Long-Term Debt Summary

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

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005	Due in One Year
General obligation bonds	\$ 73,303,093	\$ 27,151,578	\$ 2,455,000	\$ 97,999,671	\$ 1,375,000
Premium on issuance	3,060,468	2,327,112	124,776	5,262,804	-
Certificates of participation	22,035,000	-	150,000	21,885,000	400,000
CFD special tax bonds	5,505,000	-	-	5,505,000	95,000
Compensated absences	748,802	219,942	-	968,744	-
Capital leases	4,926,109	11,080,957	954,584	15,052,482	964,058
PARS supplementary retirement plan	3,550,598	-	887,650	2,662,948	887,650
	<u>\$ 113,129,070</u>	<u>\$ 40,779,589</u>	<u>\$ 4,572,010</u>	<u>\$ 149,336,649</u>	<u>\$ 3,721,708</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.

Bonded Debt

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding			Bonds Outstanding End of Year	
				Beginning of Year	Accreted	Issued		
6/1/02	8/1/26	1.65 - 6.87	\$ 44,997,800	\$ 43,303,349	\$ 88,199	\$ -	\$ 40,936,548	
5/1/04	8/1/28	1.70 - 5.94	29,999,744	29,999,744	63,769	-	30,063,513	
5/5/05	8/1/29	2.70 - 5.22	26,999,610	-	-	26,999,610	26,999,610	
				<u>\$ 73,303,093</u>	<u>\$ 151,968</u>	<u>\$ 26,999,610</u>	<u>\$ 2,455,000</u>	<u>\$ 97,999,671</u>

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 modernization of school facilities.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

The bonds mature as follows:

<u>Fiscal Year</u>	<u>Principal including accreted interest to date</u>	<u>Accreted interest</u>	<u>Current interest to maturity</u>	<u>Total</u>
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	500,000	-	1,888,094	2,388,094
2011-2015	4,925,000	-	8,931,531	13,856,531
2016-2020	7,851,548	1,083,297	7,674,972	16,609,817
2021-2025	16,730,000	570,154	4,607,400	21,907,554
2026-2027	9,295,000	-	475,125	9,770,125
Total	\$ 40,936,548	\$ 1,653,451	\$ 31,265,279	\$ 73,855,278

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:

<u>Fiscal Year</u>	<u>Principal including accreted interest to date</u>	<u>Accreted interest</u>	<u>Current interest to maturity</u>	<u>Total</u>
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	595,000	-	1,306,831	1,901,831
2011-2015	3,900,000	-	6,088,656	9,988,656
2016-2020	6,095,000	-	5,279,244	11,374,244
2021-2025	8,850,000	-	2,510,281	11,360,281
2026-2027	7,028,513	8,571,487	449,350	16,049,350
Total	\$ 30,063,513	\$ 8,571,487	\$ 21,115,468	\$ 59,750,468

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

2002 General Obligation Bonds, Series C

In May 2005, the District issued current and capital appreciation 2002 General Obligation Bonds, Series C, in the amount of \$26,999,610 (accreting to \$31,805,000). The bonds mature through August 2029, with interest yields from 2.70 to 5.22 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:

<u>Fiscal Year</u>	<u>Principal including accreted interest to date</u>	<u>Accreted interest</u>	<u>Current interest to maturity</u>	<u>Total</u>
2006	\$ -	\$ -	\$ 851,544	\$ 851,544
2007	-	-	1,246,163	1,246,163
2008	150,000	-	1,243,538	1,393,538
2009	275,000	-	1,236,100	1,511,100
2010	300,000	-	1,226,038	1,526,038
2011-2015	1,920,000	-	5,934,694	7,854,694
2016-2020	3,225,000	-	5,414,588	8,639,588
2021-2025	4,775,000	-	4,527,875	9,302,875
2026-2030	16,354,610	4,805,390	2,453,125	23,613,125
Total	<u>\$ 26,999,610</u>	<u>\$ 4,805,390</u>	<u>\$ 24,133,665</u>	<u>\$ 55,938,665</u>

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 used 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, 2005, the principal balance outstanding was \$5,250,000.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

The certificates mature as follows:

Year Ending June 30,	Principal	Interest	Total
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	170,000	189,261	359,261
2011-2015	950,000	861,471	1,811,471
2016-2020	1,130,000	682,119	1,812,119
2021-2025	1,375,000	436,938	1,811,938
2026-2030	985,000	100,250	1,085,250
Total	<u>\$ 5,250,000</u>	<u>\$ 3,071,008</u>	<u>\$ 8,321,008</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 used 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, 2005, the principal balance outstanding was \$16,635,000.

The certificates mature as follows:

Year Ending June 30,	Principal	Interest	Total
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	300,000	171,270	471,270
2011-2015	1,745,000	803,385	2,548,385
2016-2020	2,240,000	697,070	2,937,070
2021-2025	2,880,000	560,505	3,440,505
2026-2030	3,685,000	385,220	4,070,220
2031-2035	4,720,000	160,875	4,880,875
Total	<u>\$ 16,635,000</u>	<u>\$ 3,493,325</u>	<u>\$ 20,128,325</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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 used 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, 2005, the principal balance outstanding was \$5,505,000.

Year Ending June 30,	Principal	Interest	Total
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	110,000	292,863	402,863
2011-2015	625,000	1,378,348	2,003,348
2016-2020	805,000	1,189,135	1,994,135
2021-2025	1,065,000	918,505	1,983,505
2026-2030	1,425,000	547,950	1,972,950
2031-2035	1,080,000	99,600	1,179,600
Total	<u>\$ 5,505,000</u>	<u>\$ 5,637,529</u>	<u>\$ 11,142,529</u>

Accumulated Unpaid Employee Vacation

Accumulated unpaid employee vacation for the District at June 30, 2005, amounted to \$968,744.

Capital Leases

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

Balance, Beginning of Year	<u>\$ 6,190,286</u>
Additions	15,493,669
Payments	1,441,282
Balance, End of Year	<u>\$ 20,242,673</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

The capital leases have minimum lease payments as follows:

<u>Year Ending June 30, 2005</u>	<u>Lease Payment</u>
2006	\$ 1,655,955
2007	1,630,469
2008	1,671,321
2009	1,714,214
2010	1,613,220
2011-2015	7,544,607
2016-2020	4,412,887
Total	<u>20,242,673</u>
Less: Amount Representing Interest	5,190,191
Present Value of Minimum Lease Payments	<u>\$ 15,052,482</u>

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, 2005, the remaining obligation is \$2,662,948.

<u>Year Ending June 30, 2005</u>	<u>Payment</u>
2006	\$ 887,650
2007	887,649
2008	887,649
Total	<u>\$ 2,662,948</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 9 - FUND BALANCES

Fund balances 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	394,233	-	-	-	394,233
Prepaid expenditures	887,650	-	-	-	887,650
Restricted programs	3,112,628	-	-	-	3,112,628
Total Reserved	<u>4,563,511</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,563,511</u>
Unreserved					
Designated					
Economic uncertainties	7,867,627	-	-	-	7,867,627
Capital projects	-	36,997,374	10,717,141	17,176,132	64,890,647
Adult education	-	-	-	108,742	108,742
Deferred maintenance	-	-	-	492,634	492,634
Other designations	228,378	-	-	-	228,378
Total Designated	<u>8,096,005</u>	<u>36,997,374</u>	<u>10,717,141</u>	<u>17,777,508</u>	<u>73,588,028</u>
Undesignated	-	-	-	7,389,822	7,389,822
Total Unreserved	<u>8,096,005</u>	<u>36,997,374</u>	<u>10,717,141</u>	<u>25,167,330</u>	<u>80,977,850</u>
Total	<u>\$12,659,516</u>	<u>\$36,997,374</u>	<u>\$ 10,717,141</u>	<u>\$ 25,167,330</u>	<u>\$85,541,361</u>

NOTE 10 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2005, the following District funds exceeded the budgeted amount in total as follows:

Funds	Expenditures and Other Uses		
	Budget	Actual	Excess
Adult	<u>\$ 473,785</u>	<u>\$ 487,258</u>	<u>\$ 13,473</u>
Cafeteria	<u>\$ 5,412,836</u>	<u>\$ 5,675,836</u>	<u>\$ 263,000</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

NOTE 11 - 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, 219 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 and the retiree contributes the remainder. 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 \$1,615,756 were recognized for retirees' health care benefits.

NOTE 12 - RISK MANAGEMENT - CLAIMS

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 15 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.

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, 2005**

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, 2003 to June 30, 2005:

	Comprehensive Liability	Health and Welfare	Property Loss Risk	Workers' Compensation	Total
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	<u>(374,538)</u>	<u>(2,427,895)</u>	<u>(199,426)</u>	<u>(2,623,876)</u>	<u>(5,625,735)</u>
Liability Balance, June 30, 2004	362,856	271,000	850	4,479,645	5,114,351
Claims and changes in estimates	386,646	17,605,837	289,475	1,898,201	20,180,159
Claims payments	<u>(386,646)</u>	<u>(17,605,837)</u>	<u>(289,475)</u>	<u>(1,898,201)</u>	<u>(20,180,159)</u>
Liability Balance, June 30, 2005	<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, 2005	<u>\$ 522,104</u>	<u>\$ 490,908</u>	<u>\$ 93,750</u>	<u>\$ 4,779,646</u>	<u>\$ 5,886,408</u>

NOTE 13 - 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).

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, 2005

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 2004-2005 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, 2005, 2004, and 2003, were \$7,265,990, \$7,185,275, and \$7,205,849, respectively, and equal 100 percent of the required contributions for each year.

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 2004-2005 was 9.952 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, 2005 was \$1,846,519, \$1,803,697, and \$1,826,564 respectively, and equal 100 percent of the required contributions for each year.

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, 2005

On Behalf Payments

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$4,102,559 (4.517 percent of salaries subject to STRS). A contribution to PERS was not required for the year ended June 30, 2005. 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 have not been included in the budget amounts reported in the General Fund Budgetary Schedule. These amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

NOTE 14 - 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, 2005.

The District is involved in litigation relating to the alleged failure of the District to pay the balance due on a construction contract. The District has cross-complained against the construction manager (CM) on the project on the theory that the CM is responsible in part or whole for the damages. The District's ultimate liability, if any, is not known at this time.

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWER AUTHORITIES, AND OTHER RELATED PARTY TRANSACTIONS

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 and the North Orange County Regional Occupational Program (NOCROP) joint powers authority (JPA). The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. The relationships between the District, the pools, and the JPAs 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 generally available from the respective entities.

During the year ended June 30, 2005, the District made payment of \$572,216, \$15,242, and \$1,486,527 to ASCIP, SELF, and NOCROP, respectively for goods or services noted above.

REQUIRED SUPPLEMENTARY INFORMATION

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PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final
	to Actual			
REVENUES				
Revenue limit sources	\$131,997,788	\$131,860,952	\$ 131,856,359	\$ (4,593)
Federal sources	9,346,242	12,572,407	10,743,892	(1,828,515)
Other State sources	29,140,034	31,365,040	34,775,721	3,410,681
Other local sources	2,253,187	5,548,523	5,597,598	49,075
Total Revenues	172,737,251	181,346,922	182,973,570	1,626,648
EXPENDITURES				
Current				
Instruction	109,433,115	122,312,986	120,408,102	1,904,884
Instruction-related activities:				
Supervision of instruction	6,884,900	8,490,961	7,583,714	907,247
Instructional library, media, and technology	666,887	866,617	702,984	163,633
School site administration	10,949,470	10,658,394	11,009,005	(350,611)
Pupil services:				
Home-to-school transportation	5,473,595	4,632,181	4,775,858	(143,677)
Food services	1,500	4,500	2,210	2,290
All other pupil services	5,148,076	6,463,276	6,470,695	(7,419)
General administration:				
Data processing	3,214,609	3,227,452	3,002,933	224,519
All other general administration	6,449,236	6,430,682	5,626,547	804,135
Plant services	19,406,603	19,243,710	18,632,320	611,390
Facility acquisition and construction	403,891	559,951	1,589,416	(1,029,465)
Community services	80,159	71,768	72,550	(782)
Other outgo	3,039,739	2,915,258	-	2,915,258
Enterprise services	500,000	500,000	500,000	-
Debt service				
Principal	-	-	151,831	(151,831)
Interest	-	-	37,930	(37,930)
Total Expenditures	171,651,780	186,377,736	180,566,095	5,811,641
Excess (Deficiency) of Revenues				
Over Expenditures	1,085,471	(5,030,814)	2,407,475	7,438,289
Other Financing Sources (Uses):				
Transfers in	700,000	930,000	930,000	-
Other sources	-	-	1,091,972	1,091,972
Transfers out	(900,000)	(2,016,210)	(2,369,129)	(352,919)
Other uses	-	-	(2,459,248)	(2,459,248)
Net Financing Sources (Uses)	(200,000)	(1,086,210)	(2,806,405)	(1,720,195)
NET CHANGE IN FUND BALANCES	885,471	(6,117,024)	(398,930)	5,718,094
Fund Balance - Beginning	13,058,446	13,058,446	13,058,446	-
Fund Balance - Ending	\$ 13,943,917	\$ 6,941,422	\$ 12,659,516	\$ 5,718,094

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SUPPLEMENTARY INFORMATION

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

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	\$ 22,449
Improving America's School Act (IASA)			
Title I - AFDC and Neglected	84.010	03797	2,703,612
Title I - Part B, Even Start Family Literacy	84.213	13001	266,587
Title II - Improving Teacher Quality [1]	84.367	10085	802,738
Title II - Enhancing Education through Technology	84.318	14334	100,088
Title II - Enhancing Education through Technology	84.318	14368	364,405
Title III - Limited English Proficiency	84.365	10084	442,609
Title IV - Drug Free Schools	84.186	13453	153,496
Title IV - Flexibility and Accountability			
Statewide Student Identifier Assignment	84.000	14498	20,081
Statewide Student Identifier Maintenance	84.000	14537	6,681
Title VI - Innovative Strategies	84.298	03340	53,125
Title VI - California Alternate Performance Assessment	84.000	14488	405
Title VI - English Language Development Test	84.369	14363	47,765
Title VII - Bilingual Education	84.288	10008	435,358
21st Century Community Learning Centers	84.287A	14349	178,353
Individuals with Disabilities Education Act (IDEA)			
Local Assistance	84.027A	03379	3,789,975
Local Staff Development	84.027A	03613	13,147
Low Incidence	84.027A	03459	9,153
Federal Preschool	84.173A	03430	117,769
Preschool Local Entitlement	84.027A	03682	210,727
Preschool Staff Development	84.173A	03431	1,540
Early Intervention Part C	84.027A	03761	62,932
Passed to Brea-Olinda USD:			
Local Assistance	84.027A	03379	744,339
Local Staff Development	84.027A	03613	1,754
Federal Preschool	84.173A	03430	27,292
Preschool Local Entitlement	84.027A	03682	52,136
Advanced Placement Fee Payment Incentive	84.330	13317	4,390
Vocational Educational Grants			
Secondary Education	84.048	03924	133,435
Total U.S. Department of Education			<u>10,766,341</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Basic School Breakfast Program [1]	10.553	13525	69,653
Especially Needy Breakfast [1]	10.553	13526	481,981
Meal Supplements [1]	10.555	13755	10,762
National School Lunch Program [1]	10.555	13523	2,217,993
Food Commodities	10.550	13389	62,620
Total U.S. Department of Agriculture			<u>2,843,009</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through CDE:			
Child Care Development Fund Capacity Project	93.575	13942	4,104
Total Expenditures of Federal Awards			<u>\$ 13,613,454</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, 2005**

	Amended Annual ADA <u>2004-2005</u>	Amended Second Period ADA <u>2004-2005</u>
ELEMENTARY		
Kindergarten	1,640	1,640
First through third	5,517	5,520
Fourth through sixth	5,973	5,977
Seventh and eighth	4,075	4,089
Home and hospital	4	5
Special education - master plan	441	436
Special education - non-public	16	17
Extended year special education - mandated	29	29
Total Elementary	<u>17,695</u>	<u>17,713</u>
SECONDARY		
Regular classes	7,311	7,366
Continuation education	252	259
Home and hospital	11	10
Special education - master plan	210	213
Special education - non-public	8	8
Extended year special education - mandated	13	13
Total Secondary	<u>7,805</u>	<u>7,869</u>
Total K-12	<u>25,500</u>	<u>25,582</u>
REGIONAL OCCUPATIONAL CENTERS - MANDATED		
	<u>509</u>	<u>470</u>
CLASSES FOR ADULTS		
Concurrently enrolled	59	56
Not concurrently enrolled	125	116
Independent study	44	41
Total Classes for Adults	<u>228</u>	<u>213</u>
Grand Total	<u>26,237</u>	<u>26,265</u>
 SUMMER SCHOOL/INTERSESSION- ANNUAL PUPIL HOURS OF ATTENDANCE		
Core academic programs	160,644	
Students not meeting proficiency standards	259,385	
Total Hours	<u>420,029</u>	

See accompanying note to supplementary information.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2005**

Grade Level	1986-87	1986-87	2004-05	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	36,000	36,000	180	N/A	Complied
Grades 1 - 3	50,585	50,400	55,152	180	N/A	Complied
Grades 4 - 6	54,890	54,000	55,152	180	N/A	Complied
Grades 7 - 8	54,890	54,000	55,152	180	N/A	Complied
Grades 9 - 12	64,942	64,800	64,944	180	N/A	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, 2005**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2005.

See accompanying note to supplementary information.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

	(Adopted July Budget) 2006 ¹	2005	2004	2003
GENERAL FUND				
Revenues	\$ 180,162,242	\$ 182,973,570	\$ 173,058,747	\$ 175,501,633
Other sources and transfers in	930,000	2,021,972	5,606,385	1,900,000
Total Revenues and Other Sources	181,092,242	184,995,542	178,665,132	177,401,633
Expenditures	179,450,230	180,566,095	179,057,380	171,580,407
Other uses and transfers out	1,200,000	4,828,377	4,417,143	5,411,355
Total Expenditures and Other Uses	180,650,230	185,394,472	183,474,523	176,991,762
INCREASE (DECREASE) IN FUND BALANCE	\$ 442,012	\$ (398,930)	\$ (4,809,391)	\$ 409,871
ENDING FUND BALANCE	\$ 13,101,528	\$ 12,659,516	\$ 13,058,446	\$ 17,867,837
AVAILABLE RESERVES²	\$ 9,050,027	\$ 7,867,627	\$ 9,582,454	\$ 12,891,029
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO³	5.01%	4.34%	5.22%	7.28%
LONG-TERM DEBT	N/A	\$ 149,336,649	\$ 113,129,070	\$ 63,134,792
K-12 AVERAGE DAILY ATTENDANCE AT P-2⁴	25,579	25,582	25,584	25,339

The General Fund balance has decreased by \$5,208,321 over the past two years. The fiscal year 2005-2006 budget projects an increase of \$442,012 (3 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 deficits in two of the past three years, but anticipates incurring an operating surplus during the 2005-2006 fiscal year. Total long-term debt has increased by \$86,201,857 over the past two years.

Average daily attendance has increased by 243 over the past two years. A decrease of 3 ADA is anticipated during fiscal year 2005-2006.

¹ Budget 2006 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 On-behalf payments of \$4,102,559 have been excluded from expenditures in the calculation of available reserves for the fiscal year ended June 30, 2005.

⁴ Excludes Adult Education and ROP ADA.

See accompanying note to supplementary information.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2005

NOTE 1 - PURPOSE OF SCHEDULES

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.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of 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.

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SUPPLEMENTARY INFORMATION - UNAUDITED

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - UNAUDITED
JUNE 30, 2005**

	Adult Education Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Capital Outlay Fund
ASSETS				
Deposits and investments	\$ 84,941	\$ 706,124	\$ 4,782,564	\$ 9,166,683
Receivables	76,190	2,100	13,072	29,232
Due from other funds	4,053	806	35,822	-
Total Assets	\$ 165,184	\$ 709,030	\$ 4,831,458	\$ 9,195,915
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 29,265	\$ 215,590	\$ 224,062	\$ 265,176
Due to other funds	27,177	806	24,723	1,341
Total Liabilities	56,442	216,396	248,785	266,517
Fund Balances:				
Unreserved:				
Designated	108,742	492,634	4,582,673	8,929,398
Undesignated, reported in:				
Debt service funds	-	-	-	-
Total Fund Balances	108,742	492,634	4,582,673	8,929,398
Total Liabilities and Fund Balances	\$ 165,184	\$ 709,030	\$ 4,831,458	\$ 9,195,915

See accompanying note to supplementary information - unaudited.

Capital Projects Component Unit Fund	Energy Conservation Capital Fund	Bond Interest and Redemption Fund	Debt Service Component Unit Fund	Energy Conservation Debt Fund	Non-Major Governmental Funds
\$ 1,794,295	\$ 1,869,766	\$ 4,796,858	\$ 2,584,539	\$ -	\$ 25,785,770
-	-	8,425	-	-	129,019
-	-	-	-	-	40,681
<u>\$ 1,794,295</u>	<u>\$ 1,869,766</u>	<u>\$ 4,805,283</u>	<u>\$ 2,584,539</u>	<u>\$ -</u>	<u>\$ 25,955,470</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 734,093
-	-	-	-	-	54,047
-	-	-	-	-	788,140
1,794,295	1,869,766	-	-	-	17,777,508
-	-	4,805,283	2,584,539	-	7,389,822
<u>1,794,295</u>	<u>1,869,766</u>	<u>4,805,283</u>	<u>2,584,539</u>	<u>-</u>	<u>25,167,330</u>
<u>\$ 1,794,295</u>	<u>\$ 1,869,766</u>	<u>\$ 4,805,283</u>	<u>\$ 2,584,539</u>	<u>\$ -</u>	<u>\$ 25,955,470</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Adult Education Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Capital Facilities Fund</u>	<u>Special Reserve Capital Fund</u>
REVENUES				
Revenue limit sources	\$ 491,424	\$ -	\$ -	\$ -
Federal sources	22,449	-	-	-
Other State sources	-	1,012,494	-	-
Other local sources	13,414	15,962	4,357,032	211,171
Total Revenues	<u>527,287</u>	<u>1,028,456</u>	<u>4,357,032</u>	<u>211,171</u>
EXPENDITURES				
Current				
Instruction	248,030	-	-	-
Instruction-related activities:				
Supervision of instruction	5,728	-	-	-
School site administration	233,500	-	-	-
General administration:				
All other general administration	22,223	-	-	-
Plant services	-	1,327,035	-	10,831
Facility acquisition and construction	-	162,997	831,694	622,970
Debt service				
Principal	3,555	-	-	-
Interest and other	816	-	-	-
Total Expenditures	<u>513,852</u>	<u>1,490,032</u>	<u>831,694</u>	<u>633,801</u>
Excess (Deficiency) of				
Revenues Over Expenditures	<u>13,435</u>	<u>(461,576)</u>	<u>3,525,338</u>	<u>(422,630)</u>
Other Financing Sources (Uses):				
Transfers in	-	900,000	35,822	2,332,458
Other sources	-	-	-	-
Transfers out	-	(400,000)	-	(1,223,405)
Net Financing Sources (Uses)	<u>-</u>	<u>500,000</u>	<u>35,822</u>	<u>1,109,053</u>
NET CHANGE IN FUND BALANCES	<u>13,435</u>	<u>38,424</u>	<u>3,561,160</u>	<u>686,423</u>
Fund Balance - Beginning	<u>95,307</u>	<u>454,210</u>	<u>1,021,513</u>	<u>8,242,975</u>
Fund Balance - Ending	<u>\$ 108,742</u>	<u>\$ 492,634</u>	<u>\$ 4,582,673</u>	<u>\$ 8,929,398</u>

See accompanying note to supplementary information - unaudited.

Capital Projects Component Unit Fund	Energy Conservation Capital Fund	Bond Interest and Redemption Fund	Debt Service Component Unit Fund	Energy Conservation Debt Fund	Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 491,424
-	-	-	-	-	22,449
-	-	65,920	-	-	1,078,414
43,087	57,735	5,161,419	397,908	-	10,257,728
43,087	57,735	5,227,339	397,908	-	11,850,015
-	-	-	-	-	248,030
-	-	-	-	-	5,728
-	-	-	-	-	233,500
-	-	-	-	-	22,223
-	-	-	-	-	1,337,866
838,739	8,176,954	-	-	-	10,633,354
-	-	2,455,000	150,000	795,423	3,403,978
-	-	2,947,705	869,426	453,263	4,271,210
838,739	8,176,954	5,402,705	1,019,426	1,248,686	20,155,889
(795,652)	(8,119,219)	(175,366)	(621,518)	(1,248,686)	(8,305,874)
-	-	-	383,582	1,248,686	4,900,548
-	9,988,985	1,474,626	-	-	11,463,611
(1,282,733)	-	-	-	-	(2,906,138)
(1,282,733)	9,988,985	1,474,626	383,582	1,248,686	13,458,021
(2,078,385)	1,869,766	1,299,260	(237,936)	-	5,152,147
3,872,680	-	3,506,023	2,822,475	-	20,015,183
\$ 1,794,295	\$ 1,869,766	\$ 4,805,283	\$ 2,584,539	\$ -	\$ 25,167,330

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**GENERAL FUND SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2005**

(Amounts in thousands)	Actual Results for the Years					
	2004-2005		2003-2004		2002-2003	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	\$ 10,744	5.9	\$ 9,354	5.4	\$ 7,957	4.5
State and local revenue included in revenue limit	135,958	74.3	127,038	73.4	128,957	73.5
Other state revenue	30,673	16.8	31,486	18.2	31,915	18.2
Other local revenue	5,598	3.0	5,181	3.0	6,673	3.8
Total Revenues	<u>182,973</u>	<u>100.0</u>	<u>173,059</u>	<u>100.0</u>	<u>175,502</u>	<u>100.0</u>
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	91,928	50.2	91,180	52.7	92,244	52.6
Classified salaries	28,557	15.6	27,834	16.1	27,914	15.9
Employee benefits	34,394	18.8	28,589	16.5	26,666	15.2
Total Salaries and Benefits	154,879	84.6	147,603	85.3	146,824	83.7
Books and supplies	8,863	4.8	9,615	5.6	9,059	5.2
Contracts and operating expenses	15,675	8.6	16,975	9.8	16,005	9.2
Capital outlay	471	0.3	395	0.2	405	0.2
Other outgo	677	0.4	4,470	2.6	(756)	(0.5)
Debt service - interest and other	-	-	-	-	44	-
Total Expenditures	<u>180,565</u>	<u>98.7</u>	<u>179,058</u>	<u>103.5</u>	<u>171,581</u>	<u>97.8</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,408	1.3	(5,999)	(3.5)	3,921	2.2
OTHER FINANCING SOURCES (USES)						
Net financing uses	<u>(2,806)</u>	<u>(1.5)</u>	<u>1,189</u>	<u>0.7</u>	<u>(3,511)</u>	<u>(2.0)</u>
INCREASE (DECREASE) IN FUND BALANCE	<u>(398)</u>	<u>(0.2)</u>	<u>(4,810)</u>	<u>(2.8)</u>	<u>410</u>	<u>0.2</u>
FUND BALANCE, BEGINNING	<u>13,058</u>		<u>17,868</u>		<u>17,458</u>	
FUND BALANCE, ENDING	<u>\$ 12,660</u>		<u>\$ 13,058</u>		<u>\$ 17,868</u>	

See accompanying note to supplementary information - unaudited.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**CAFETERIA FUND SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2005**

(Amounts in thousands)

	Actual Results for the Years					
	2004-2005		2003-2004		2002-2003	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal - NSLP	\$ 2,780	48.3	\$ 2,572	47.2	\$ 2,496	47.0
State meal program	182	3.2	167	3.1	158	3.0
Food sales	2,761	48.0	2,701	49.5	2,623	49.3
Other	28	0.5	14	0.2	35	0.7
Total Revenues	<u>5,751</u>	<u>100.0</u>	<u>5,454</u>	<u>100.0</u>	<u>5,312</u>	<u>100.0</u>
EXPENDITURES						
Salaries and employee benefits	2,616	45.5	2,504	45.9	2,529	47.6
Food	2,632	45.8	2,695	49.4	2,627	49.5
Supplies	255	4.4	352	6.5	140	2.6
Other	447	7.8	388	7.1	305	5.7
Total Expenditures	<u>5,950</u>	<u>103.5</u>	<u>5,939</u>	<u>108.9</u>	<u>5,601</u>	<u>105.4</u>
INCREASE/(DECREASE) IN FUND BALANCE	(199)	<u>(3.5)</u>	(485)	<u>(8.9)</u>	(289)	<u>(5.4)</u>
FUND BALANCE, BEGINNING	1,990		2,475		2,764	
FUND BALANCE, ENDING	<u>\$ 1,791</u>		<u>\$ 1,990</u>		<u>\$ 2,475</u>	
ENDING FUND BALANCE TO TOTAL REVENUES		<u>31.1</u>		<u>36.5</u>		<u>46.6</u>

* * * * *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2004-2005		2003-2004		2002-2003	
	Amount	Percent	Amount	Percent	Amount	Percent
TYPE 'A' LUNCHES						
Paid	757,541	43.7	763,825	44.1	717,034	43.0
Reduced price	219,022	12.6	189,308	10.9	197,817	11.9
Free	756,888	43.7	712,630	41.1	709,396	42.6
Total Lunches	<u>1,733,451</u>	<u>100.0</u>	<u>1,665,763</u>	<u>96.1</u>	<u>1,624,247</u>	<u>97.5</u>
BREAKFAST						
Paid	109,671	22.4	107,540	22.9	121,595	25.7
Reduced price	75,778	15.5	65,399	14.0	63,286	13.4
Free	305,023	62.1	295,655	63.1	287,794	60.9
Total Breakfast	<u>490,472</u>	<u>100.0</u>	<u>468,594</u>	<u>100.0</u>	<u>472,675</u>	<u>100.0</u>

See accompanying note to supplementary information - unaudited.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED
JUNE 30, 2005**

NOTE 1 - PURPOSE OF SCHEDULES

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance - Unaudited

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.

General Fund Selected Financial Information - Unaudited

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

Cafeteria Account Selected Financial Information - Unaudited

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

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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Placentia-Yorba Linda Unified School District as of and for the year ended June 30, 2005, which collectively comprise the Placentia-Yorba Linda Unified School District's basic financial statements and have issued our report thereon dated September 30, 2005. 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 opinions 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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 30, 2005.

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Governing Board, 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.

Varrinck, Irine, Day + Co., LLP

Rancho Cucamonga, California
September 30, 2005



**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, 2005. 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, 2005.

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 caused by error or fraud 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, 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.

Varenech, Irnie, Day & Co., LLP

Rancho Cucamonga, California
September 30, 2005



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Placentia-Yorba Linda Unified School District as of and for the year ended June 30, 2005, and have issued our report thereon dated September 30, 2005. 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 the 2004-2005 *Standards and Procedures for Audits of California K-12 Local Educational Agencies* prescribed in the California Code of Regulations, Title 5, Section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Placentia-Yorba Linda Unified School District management. 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	8	Yes
Kindergarten continuance	3	Yes
Independent study	22	Yes
Continuation education	10	Yes
Adult education	9	Yes
Regional occupational centers and programs	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	12	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
School Construction Funds:		
School District bonds	3	Yes
State school facilities funds	1	Yes
Alternative pension plans	2	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Yes
School Accountability Report Card	3	Yes

We did not perform testing for Regional Occupation Program (ROP) because ROP average daily attendance 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. Our audit does not provide a legal determination on Placentia-Yorba Linda Unified School District's compliance with the State laws and regulations referred to above.

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

Varrinck, Irine, Day & Co., LLP

Rancho Cucamonga, California
September 30, 2005

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2005**

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>10.553 - 10.555</u>	<u>Child Nutrition Cluster</u>
<u>84.367</u>	<u>Title II - Improving Teacher Quality</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 408,404</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, 2005**

None reported.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

None reported.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

None reported.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

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