

**PLACENTIA-YORBA LINDA  
UNIFIED SCHOOL DISTRICT**

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2006**

**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**  
**OF ORANGE COUNTY**  
**PLACENTIA, CALIFORNIA**  
**JUNE 30, 2006**

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**GOVERNING BOARD**

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

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

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*FINANCIAL SECTION*

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Placentia-Yorba Linda Unified School District (the District) as of and for the year ended June 30, 2006, 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 2005-2006*, issued by the California Education Audit Appeals Panel as regulations. 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, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2006, 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 14 and budgetary comparison information on page 58, is not a required part of the basic financial statements, but is 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.

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*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 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 and General Fund and Cafeteria Account 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.

Varrinck, Irvine, Day & Co., LLP

Rancho Cucamonga, California  
October 13, 2006

# **Placentia-Yorba Linda Unified School District**

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

Dennis M. Smith, Ed.D.  
*Superintendent*

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

This section of Placentia-Yorba Linda Unified School District's 2006 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2006. 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 Governmental Accounting Standards Board (GASB) Statement No. 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 obligations). 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, 2006

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### FINANCIAL HIGHLIGHTS OF THE PAST YEAR

#### 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, 2006

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**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, 2006

Total net assets (Governmental Activities) decreased by \$0.6 million due to the District's continued investments in its schools through modernization and new construction. Included in the net amount is long-term obligations, see page 45.

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)	2006			2005		
	Governmental Activities	Business-Type Activities	School District Activities	Governmental Activities	Business-Type Activities	School District Activities
Current and other assets	\$ 169.4	\$ 4.9	\$ 174.3	\$ 115.8	\$ 4.8	\$ 120.6
Capital assets	249.3	2.1	251.4	232.9	2.1	235.0
<b>Total Assets</b>	<b>418.7</b>	<b>7.0</b>	<b>425.7</b>	<b>348.7</b>	<b>6.9</b>	<b>355.6</b>
Current liabilities	25.6	0.7	26.3	29.4	0.7	30.1
Long-term obligations	223.7	-	223.7	149.3	-	149.3
<b>Total Liabilities</b>	<b>249.3</b>	<b>0.7</b>	<b>250.0</b>	<b>178.7</b>	<b>0.7</b>	<b>179.4</b>
Net assets						
Invested in capital assets, net of related debt	55.2	2.1	57.3	84.6	2.1	86.7
Restricted	86.1	-	86.1	70.9	-	70.9
Unrestricted	28.1	4.2	32.3	14.5	4.1	18.6
<b>Total Net Assets</b>	<b>\$ 169.4</b>	<b>\$ 6.3</b>	<b>\$ 175.7</b>	<b>\$ 170.0</b>	<b>\$ 6.2</b>	<b>\$ 176.2</b>

Major items included in total net assets are as follows:

1. Issuance of 2006 Certificates of Participation (COP) \$86.9 Million.
2. Debt increase with the above COP issuance.
3. 2003 COP \$16.6 million refunded.
4. Refinancing of a portion of the 2002 Series A General Obligation Bond \$37.3 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 16. Table 2 links the information from the *Statement of Activities*, 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, 2006**

**Table 2**

(Amounts in millions)	2006			2005		
	Governmental Activities	Business-Type Activities	School District Activities	Governmental Activities	Business-Type Activities	School District Activities
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 3.8	\$ 8.0	\$ 11.8	\$ 3.4	\$ 7.3	\$ 10.7
Operating grants and contributions	41.6	3.4	45.0	37.5	3.1	40.6
Capital grants and contributions	1.1	-	1.1	10.7	-	10.7
General revenues:						
Federal and State unrestricted	76.9	-	76.9	74.4	-	74.4
Property taxes	76.6	-	76.6	72.2	-	72.2
Other general revenues	15.2	-	15.2	9.4	0.1	9.5
<b>Total Revenues</b>	<b>215.2</b>	<b>11.4</b>	<b>226.6</b>	<b>207.6</b>	<b>10.5</b>	<b>218.1</b>
<b>Expenses</b>						
Instruction related	152.2	-	152.2	143.8	-	143.8
Student support services	12.0	-	12.0	11.3	-	11.3
Administration	7.5	-	7.5	7.9	-	7.9
Maintenance and operations	29.3	-	29.3	21.9	-	21.9
Other	14.8	11.4	26.2	9.7	10.8	20.5
<b>Total Expenses</b>	<b>215.8</b>	<b>11.4</b>	<b>227.2</b>	<b>194.6</b>	<b>10.8</b>	<b>205.4</b>
<b>Change in Net Assets</b>	<b>\$ (0.6)</b>	<b>\$ -</b>	<b>\$ (0.6)</b>	<b>\$ 13.0</b>	<b>\$ (0.3)</b>	<b>\$ 12.7</b>

**Governmental Activities**

The District's change in net assets decreased by \$13.3 million from 2005. 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 \$7.5 million due to a change in funding of 4.23 percent COLA, and deficit reduction. Other changes were as follows:

1. The total expenses of all governmental activities this year was \$215.8 million.
2. Most of the District's costs were paid by the taxpayers.
3. Federal and State governments subsidized certain programs with grants and contributions - \$41.6 million.
4. Fee based programs were paid for by the end users of the District's programs - \$3.8 million.

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

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### 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.

**Table 3**

(Amounts in millions)	2006		2005	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 130.8	\$ 105.6	\$ 132.3	\$ 93.1
Other pupil services	20.8	8.8	11.3	7.3
School administration	12.6	12.1	11.5	11.1
General administration	7.5	6.4	7.9	4.2
Maintenance and operations	29.3	27.4	21.9	21.2
Other	14.8	9.0	9.7	6.1
<b>Totals</b>	<b>\$ 215.8</b>	<b>\$ 169.3</b>	<b>\$ 194.6</b>	<b>\$ 143.0</b>

Total cost of services increased due to the payoff of the 2003 COP (\$16.6 million), salary, and health and welfare increases.

### THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$143.2 million and \$85.5 million for June 30, 2006 and June 30, 2005, respectively, which was an increase of \$57.7 million from last year (Table 4).

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

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Table 4

(Amounts in millions)	Fund Balance	
	June 30, 2006	June 30, 2005
General	\$ 12.7	\$ 12.7
Measure Y Building	29.3	36.9
County school facilities	3.8	10.7
Adult education	0.1	0.1
Deferred maintenance	0.2	0.5
Bond interest and redemption	5.7	4.8
Capital facilities	4.1	4.6
Special reserve - capital	71.8	8.9
Other - COP and CFD	15.5	6.3
<b>Totals</b>	<b>\$ 143.2</b>	<b>\$ 85.5</b>

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

Decrease in Fund Balance is due to an 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 and Measure Y Funds. Increase in Fund Balance is due to the issuance of the 2006 COP with the deposit of proceeds going to the Special Reserve Capital and Other.

Building Fund Measure Y financial data identified within the financial statements as follows:

Balance Sheet	Pg. 17
Statement of Revenues, Expenditures, and Changes in Fund Balance	Pg. 19
Receivables	Pg. 39
Accounts Payable	Pg. 44
Fund Balances	Pg. 52

### 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 58.

- Significant revenue revisions made to the 2005-2006 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.

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2006**

Carryover of Specific Programs is as follows:

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

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2006 and June 30, 2005, the District had \$251.4 million and \$235.1 million, respectively, in a broad range of capital assets, including land, buildings, and furniture and equipment, net of accumulated depreciation (Table 5).

**Table 5**

(Amounts in millions)	2006			2005		
	Governmental	Business-Type	Totals	Governmental	Business-Type	Totals
	Activities	Activities		Activities	Activities	
Land and construction in process	\$ 110.6	\$ -	\$ 110.6	\$ 159.7	\$ -	\$ 159.7
Buildings and improvements	134.4	2.0	136.4	69.9	1.9	71.8
Equipment	4.3	0.1	4.4	3.4	0.2	3.6
<b>Totals</b>	<b>\$ 249.3</b>	<b>\$ 2.1</b>	<b>\$ 251.4</b>	<b>\$ 233.0</b>	<b>\$ 2.1</b>	<b>\$ 235.1</b>

Capital assets increased by \$16.3 million and was due to a decrease in the construction in progress which resulted in an increase in completed projects. Major modernization occurred in regular classrooms, physical education, science buildings, and multi-purpose rooms at various sites.

**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2006**

**Outstanding Obligations**

**Table 6**

(Amounts in millions)	2006			2005		
	Governmental	Business-Type	Totals	Governmental	Business-Type	Totals
	Activities	Activities		Activities	Activities	
General obligation bonds (financed with property taxes)	\$ 107.1	\$ -	\$ 107.1	\$ 103.2	\$ -	\$ 103.2
CFD special tax bonds	5.4	-	5.4	5.5	-	5.5
Certificates of participation	93.9	-	93.9	21.9	-	21.9
Compensated absences	1.4	-	1.4	0.9	-	0.9
Capitalized lease obligations	14.1	-	14.1	15.1	-	15.1
PARS supplementary retirement plan	1.8	-	1.8	2.7	-	2.7
<b>Totals</b>	<b>\$ 223.7</b>	<b>\$ -</b>	<b>\$ 223.7</b>	<b>\$ 149.3</b>	<b>\$ -</b>	<b>\$ 149.3</b>

Debt increases occurred primarily as follows:

- Issuance of a Certificate of Participation in January 2006 for \$86.9 million.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

In considering the District Budget for the 2006-2007 year, the governing board and management used the following assumptions:

**INCOME**

**Revenue Sources**

- Cost of Living Adjustment (COLA) of 5.92 percent and the deficit factor eliminated – from 0.9 percent to zero
- Student Growth of zero (revenue limit calculation based on 2005-06 ADA)
- State Revenue Sources
  - COLA and growth for statutorily authorized categorical programs
- Class Size Reduction
  - Grades 1-2: \$1,024 per enrolled student
  - Kindergarten: \$512 per enrolled student

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2006**

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- State Lottery: \$148 per ADA
  - \$123 per ADA Unrestricted
  - \$25 per ADA for Proposition 20 (instructional materials, textbooks, etc.)
- Deferred Maintenance 100 percent of 0.5 percent of 1.0 percent level
- Educational Pool Interest Earned at a rate of 4.0 percent

### EXPENDITURES

#### Certificated Salaries

- Step and column movements budgeted for certificated employees
- Salary raise of 5.0 percent : 3.0 percent as of July 1, 2006 and then compounded with a 2.0 percent increase beginning January 1, 2007

#### Classified Salaries

- Step and column movements budgeted for classified employees
- Salary raise of 5.0 percent : 3.0 percent as of July 1, 2006 and then compounded with a 2.0 percent increase beginning January 1, 2007 (approval of settlement pending)

#### Estimated Employee Benefits

- Health and Welfare benefit: \$9,898 through December 31, 2006, increasing January 1<sup>st</sup> to \$10,651
- Rates:
  - State Teachers' Retirement System (STRS): 8.25 percent
  - Public Employees Retirement System (PERS): 9.116 percent
  - PERS Reduction (recapture by State of PERS expense savings): 3.904 percent
  - Social Security (OASDI): 6.20 percent
  - Medicare: 1.45 percent
  - Unemployment Insurance: .05 percent
  - Workers' Compensation (contribution to Self-Insurance Fund): 1.58 percent, rate to be adjusted after actuarial completed

#### Other Services and Operating Expenditures

- Contribution to Comprehensive Property and Liability Insurance Funds: \$1,000,000
- Early Retirement Incentive (PARS Retirement Plan): \$887,650

#### Other Financing Sources/Uses

- Transfer to Deferred Maintenance Fund as State match: \$900,000

# **PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006**

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### **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.

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**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS  
JUNE 30, 2006**

<b>Assets</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Deposits and investments	\$ 154,583,635	\$ 4,348,994	\$ 158,932,629
Receivables	10,284,578	1,026,535	11,311,113
Internal balances	655,846	(655,846)	-
Prepaid expenses	3,391,066	-	3,391,066
Stores inventories	531,238	173,016	704,254
Capital assets			
Land and construction in process	110,630,610	36,573	110,667,183
Other capital assets	198,306,845	3,132,473	201,439,318
Less: Accumulated depreciation	(59,648,020)	(1,071,262)	(60,719,282)
Total capital assets	249,289,435	2,097,784	251,387,219
<b>TOTAL ASSETS</b>	<b>\$ 418,735,798</b>	<b>\$ 6,990,483</b>	<b>\$ 425,726,281</b>
<b>Liabilities</b>			
Accounts payable	\$ 16,604,045	\$ 732,032	\$ 17,336,077
Accrued interest	2,099,163	-	2,099,163
Deferred revenue	661,419	-	661,419
Claims liability	5,114,351	-	5,114,351
Deferred amount on refunding	1,130,930	-	1,130,930
Long-term liabilities			
Current portion of long-term obligations	5,040,330	-	5,040,330
Noncurrent portion of long-term obligations	218,673,060	-	218,673,060
Total long-term liabilities	223,713,390	-	223,713,390
<b>TOTAL LIABILITIES</b>	<b>249,323,298</b>	<b>732,032</b>	<b>250,055,330</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	61,516,926	2,097,784	63,614,710
Restricted for:			
Debt service	17,717,816	-	17,717,816
Capital projects	69,676,014	-	69,676,014
Educational programs	4,816,739	-	4,816,739
Other activities	240,092	-	240,092
Unrestricted	15,444,913	4,160,667	19,605,580
<b>TOTAL NET ASSETS</b>	<b>\$ 169,412,500</b>	<b>\$ 6,258,451</b>	<b>\$ 175,670,951</b>

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, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Instruction	\$130,805,540	\$ 627,388	\$ 23,443,034	\$ 1,139,616
Instruction-related activities:				
Supervision of instruction	7,977,296	1,186,001	6,453,897	-
Instructional library, media, and technology	862,109	919	45,609	-
School site administration	12,576,507	4,857	490,861	-
Pupil services:				
Home-to-school transportation	5,224,821	277,811	1,699,540	-
All other pupil services	6,747,323	86,295	2,299,486	-
General administration:				
Data processing	3,427,124	-	-	-
All other general administration	4,142,125	204,614	884,628	-
Plant services	22,325,115	24,795	1,791,816	-
Facility acquisition and construction	6,942,482	-	-	-
Community services	105,485	-	125,128	-
Enterprise services	801,934	-	-	-
Interest on long-term obligations	7,945,978	-	-	-
Other outgo	5,947,810	1,421,252	4,355,364	-
<b>Total Governmental Activities</b>	<u>215,831,649</u>	<u>3,833,932</u>	<u>41,589,363</u>	<u>1,139,616</u>
<b>Business-Type Activities:</b>				
Food services	6,398,343	2,947,176	3,185,002	-
Child development	5,143,145	5,092,547	178,046	-
<b>Total Business-Type Activities</b>	<u>11,541,488</u>	<u>8,039,723</u>	<u>3,363,048</u>	<u>-</u>
<b>Total School District</b>	<u>\$227,373,137</u>	<u>\$ 11,873,655</u>	<u>\$ 44,952,411</u>	<u>\$ 1,139,616</u>

General revenues and subventions:

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

**Subtotal, General Revenues**

**Change in Net Assets**

Net Assets - Beginning

Net Assets - Ending

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

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

<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
\$(105,595,502)	\$ -	\$(105,595,502)
(337,398)	-	(337,398)
(815,581)	-	(815,581)
(12,080,789)	-	(12,080,789)
(3,247,470)	-	(3,247,470)
(4,361,542)	-	(4,361,542)
(3,427,124)	-	(3,427,124)
(3,052,883)	-	(3,052,883)
(20,508,504)	-	(20,508,504)
(6,942,482)	-	(6,942,482)
19,643	-	19,643
(801,934)	-	(801,934)
(7,945,978)	-	(7,945,978)
(171,194)	-	(171,194)
<u>(169,268,738)</u>	<u>-</u>	<u>(169,268,738)</u>
-	(266,165)	(266,165)
-	127,448	127,448
-	<u>(138,717)</u>	<u>(138,717)</u>
<u>(169,268,738)</u>	<u>(138,717)</u>	<u>(169,407,455)</u>
70,676,717	-	70,676,717
5,888,868	-	5,888,868
76,851,676	-	76,851,676
1,640,731	158,807	1,799,538
13,632,835	12,882	13,645,717
<u>168,690,827</u>	<u>171,689</u>	<u>168,862,516</u>
(577,911)	32,972	(544,939)
169,990,411	6,225,479	176,215,890
<u>\$ 169,412,500</u>	<u>\$ 6,258,451</u>	<u>\$ 175,670,951</u>

**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2006**

	<u>General Fund</u>	<u>Measure Y Building Fund</u>	<u>Special Reserve Capital Outlay Fund</u>
<b>ASSETS</b>			
Deposits and investments	\$ 14,826,417	\$ 31,381,235	\$ 72,722,810
Receivables	9,981,948	121,747	49,226
Due from other funds	1,056,552	26,179	300,000
Stores inventories	531,238	-	-
<b>Total Assets</b>	<u>\$ 26,396,155</u>	<u>\$ 31,529,161</u>	<u>\$ 73,072,036</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 11,595,075	\$ 2,234,691	\$ 1,296,620
Due to other funds	1,404,854	658	7,643
Deferred revenue	661,419	-	-
<b>Total Liabilities</b>	<u>13,661,348</u>	<u>2,235,349</u>	<u>1,304,263</u>
<b>FUND BALANCES</b>			
Reserved	5,497,914	-	-
Unreserved:			
Designated, reported in:			
General Fund	7,236,893	-	-
Special revenue funds	-	-	-
Capital projects funds	-	29,293,812	71,767,773
Undesignated, reported in:			
Debt service funds	-	-	-
<b>Total Fund Balance</b>	<u>12,734,807</u>	<u>29,293,812</u>	<u>71,767,773</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 26,396,155</u>	<u>\$ 31,529,161</u>	<u>\$ 73,072,036</u>

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

<b>Debt Service Component Unit Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 14,128,785	\$ 16,555,936	\$ 149,615,183
-	116,936	10,269,857
-	16,828	1,399,559
-	-	531,238
<u>\$ 14,128,785</u>	<u>\$ 16,689,700</u>	<u>\$ 161,815,837</u>
\$ -	\$ 1,380,433	\$ 16,506,819
-	33,974	1,447,129
-	-	661,419
<u>-</u>	<u>1,414,407</u>	<u>18,615,367</u>
-	19,063	5,516,977
-	-	7,236,893
-	240,092	240,092
-	9,327,944	110,389,529
14,128,785	5,688,194	19,816,979
<u>14,128,785</u>	<u>15,275,293</u>	<u>143,200,470</u>
<u>\$ 14,128,785</u>	<u>\$ 16,689,700</u>	<u>\$ 161,815,837</u>

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**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2006**

<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 143,200,470</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:</b>		
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	\$ 308,937,455	
Accumulated depreciation is the following	<u>(59,648,020)</u>	249,289,435
Expenditures relating to issuance of debt of next fiscal year were recognized on the modified accrual basis, but should not be recognized on accrual basis.		3,391,066
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred.		(2,099,163)
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.		475,012
Deferred amounts on refunding (difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter). Such amounts are not reported as assets or liabilities in the funds.		(1,130,930)
Long-term obligations, 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 obligations at year end consist of the following:		
General obligation bonds	(107,106,742)	
Certificates of participation	(93,882,467)	
Special tax revenue bonds	(5,410,000)	
Capital lease obligations	(14,088,424)	
Compensated absences	(1,450,459)	
Other long-term payables	<u>(1,775,298)</u>	<u>(223,713,390)</u>
<b>Total Net Assets - Governmental Activities</b>		<b><u><u>\$ 169,412,500</u></u></b>

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, 2006**

	General Fund	Measure Y Building Fund	Special Reserve Capital Fund	Debt Service Component Unit Fund
<b>REVENUES</b>				
Revenue limit sources	\$139,325,507	\$ -	\$ -	\$ -
Federal sources	10,960,224	-	-	-
Other State sources	36,563,623	-	-	-
Other local sources	8,782,458	1,289,623	3,800,976	2,510,184
<b>Total Revenues</b>	<u>195,631,812</u>	<u>1,289,623</u>	<u>3,800,976</u>	<u>2,510,184</u>
<b>EXPENDITURES</b>				
Current				
Instruction	126,863,842	-	-	-
Instruction-related activities:				
Supervision of instruction	7,901,991	-	-	-
Instructional library, media, and technology	815,696	-	-	-
School site administration	11,887,462	-	-	-
Pupil services:				
Home-to-school transportation	5,201,104	-	-	-
Food services	238	-	-	-
All other pupil services	6,751,949	-	-	-
General administration:				
Data processing	3,406,448	-	-	-
All other general administration	4,872,874	-	-	-
Plant services	20,369,197	-	10,461	-
Facility acquisition and construction	500,040	7,691,616	5,212,570	-
Community services	105,978	-	-	-
Other outgo	-	-	-	2,016,186
Enterprise services	800,000	-	-	-
Debt service				
Principal	209,395	-	-	52,885,000
Interest and other	98,175	-	839,335	2,945,104
<b>Total Expenditures</b>	<u>189,784,389</u>	<u>7,691,616</u>	<u>6,062,366</u>	<u>57,846,290</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>5,847,423</u>	<u>(6,401,993)</u>	<u>(2,261,390)</u>	<u>(55,336,106)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,380,000	-	3,201,054	489,857
Other sources	-	-	63,739,059	66,390,495
Transfers out	(4,438,433)	(1,301,569)	(1,840,348)	-
Other uses	(2,713,699)	-	-	-
<b>Net Financing Sources (Uses)</b>	<u>(5,772,132)</u>	<u>(1,301,569)</u>	<u>65,099,765</u>	<u>66,880,352</u>
<b>NET CHANGE IN FUND BALANCES</b>	75,291	(7,703,562)	62,838,375	11,544,246
<b>Fund Balance - Beginning</b>	12,659,516	36,997,374	8,929,398	2,584,539
<b>Fund Balance - Ending</b>	<u>\$ 12,734,807</u>	<u>\$ 29,293,812</u>	<u>\$ 71,767,773</u>	<u>\$ 14,128,785</u>

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



<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 525,137	\$ 139,850,644
59,142	11,019,366
1,795,787	38,359,410
8,658,600	25,041,841
<u>11,038,666</u>	<u>214,271,261</u>
282,306	127,146,148
-	7,901,991
-	815,696
276,894	12,164,356
-	5,201,104
-	238
-	6,751,949
-	3,406,448
28,469	4,901,343
1,642,312	22,021,970
14,456,837	27,861,063
-	105,978
-	2,016,186
-	800,000
2,129,663	55,224,058
5,479,661	9,362,275
<u>24,296,142</u>	<u>285,680,803</u>
<u>(13,257,476)</u>	<u>(71,409,542)</u>
3,511,917	8,582,828
1,202,796	131,332,350
(552,478)	(8,132,828)
-	(2,713,699)
<u>4,162,235</u>	<u>129,068,651</u>
<u>(9,095,241)</u>	<u>57,659,109</u>
24,370,534	85,541,361
<u>\$ 15,275,293</u>	<u>\$ 143,200,470</u>

**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, 2006**

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<b>Total Net Change in Fund Balances - Governmental Funds</b>		<b>\$ 57,659,109</b>
<b>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:</b>		
<p>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 statement of activities.</p> <p>This is the amount by which capital outlays exceeds depreciation in the period.</p>		
Capital outlays	\$ 24,645,150	
Depreciation expense	<u>(4,579,222)</u>	20,065,928
Loss on disposal of capital assets is reported in the government-wide statement of net assets, but is not recorded in the governmental funds.		(3,714,971)
<p>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 \$481,715.</p>		
		(481,715)
<p>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:</p>		
Sale of general obligation bonds		(37,325,000)
Certificates of participation		(86,860,315)
<p>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 (net of amortization):</p>		
Premium on issuance	(5,877,878)	
Cost of issuance	1,406,440	
Deferred amount on refunding	<u>(1,130,930)</u>	(5,602,368)

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, Continued FOR THE YEAR ENDED JUNE 30, 2006**

---

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

General obligation bonds	\$ 37,680,000
Certificates of participation	16,785,000
Special tax revenue bonds	95,000
Capital lease obligations	964,058
Other long-term obligations	887,650

Interest on long-term obligations 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 \$497,399, and second, \$243,541, of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

(740,940)

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.

10,653

**Change in Net Assets of Governmental Activities**

\$ (577,911)

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, 2006

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Child Care	Cafeteria	Total	
<b>ASSETS</b>				
<b>Current Assets</b>				
Deposits and investments	\$3,267,798	\$1,081,196	\$4,348,994	\$ 4,968,452
Receivables	50,126	976,409	1,026,535	14,721
Due from other funds	-	204	204	1,154,170
Stores inventories	-	173,016	173,016	-
<b>Total Current Assets</b>	<u>3,317,924</u>	<u>2,230,825</u>	<u>5,548,749</u>	<u>6,137,343</u>
<b>Noncurrent Assets</b>				
Capital assets	2,544,166	624,880	3,169,046	-
Less: accumulated depreciation	(567,762)	(503,500)	(1,071,262)	-
<b>Total Noncurrent Assets</b>	<u>1,976,404</u>	<u>121,380</u>	<u>2,097,784</u>	<u>-</u>
<b>Total Assets</b>	<u>5,294,328</u>	<u>2,352,205</u>	<u>7,646,533</u>	<u>6,137,343</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable	421,810	310,222	732,032	97,226
Due to other funds	293,822	362,228	656,050	450,754
Claims liability	-	-	-	5,114,351
<b>Total Current Liabilities</b>	<u>715,632</u>	<u>672,450</u>	<u>1,388,082</u>	<u>5,662,331</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,976,404	121,380	2,097,784	-
Unrestricted	2,602,292	1,558,375	4,160,667	475,012
<b>Total Net Assets</b>	<u>\$4,578,696</u>	<u>\$1,679,755</u>	<u>\$6,258,451</u>	<u>\$ 475,012</u>

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

**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2006**

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Enterprise Funds			
	Child Care	Cafeteria	Total	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 5,092,547	\$ 2,947,175	\$ 8,039,722	\$ -
Charges to other funds and miscellaneous revenues	100	-	100	21,889,789
<b>Total Operating Revenues</b>	<u>5,092,647</u>	<u>2,947,175</u>	<u>8,039,822</u>	<u>21,889,789</u>
<b>OPERATING EXPENSES</b>				
Payroll costs	4,227,715	2,780,450	7,008,165	249,428
Professional and contract services	203,815	19,785	223,600	21,240,085
Supplies and materials	302,338	3,439,613	3,741,951	16,745
Facility rental	18,154	64,790	82,944	-
Other operating cost	299,359	367,884	667,243	-
Depreciation	91,765	31,750	123,515	-
<b>Total Operating Expenses</b>	<u>5,143,146</u>	<u>6,704,272</u>	<u>11,847,418</u>	<u>21,506,258</u>
<b>Operating Income/(Loss)</b>	<u>(50,499)</u>	<u>(3,757,097)</u>	<u>(3,807,596)</u>	<u>383,531</u>
<b>NONOPERATING REVENUES</b>				
Interest income	113,146	45,663	158,809	77,122
Grants	190,828	3,490,931	3,681,759	-
<b>Total Nonoperating Revenues</b>	<u>303,974</u>	<u>3,536,594</u>	<u>3,840,568</u>	<u>77,122</u>
<b>Income (Loss) Before Capital Contributions and Transfers</b>	<u>253,475</u>	<u>(220,503)</u>	<u>32,972</u>	<u>460,653</u>
Transfers out	-	-	-	(450,000)
<b>Change in Net Assets</b>	<u>253,475</u>	<u>(220,503)</u>	<u>32,972</u>	<u>10,653</u>
<b>Total Net Assets - Beginning</b>	<u>4,325,221</u>	<u>1,900,258</u>	<u>6,225,479</u>	<u>464,359</u>
<b>Total Net Assets - Ending</b>	<u>\$ 4,578,696</u>	<u>\$ 1,679,755</u>	<u>\$ 6,258,451</u>	<u>\$ 475,012</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, 2006

	Business-Type Activities Enterprise Funds			Governmental Activities -
	Child Care	Cafeteria	Total	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from user charges	\$ 5,152,031	\$ 3,114,280	\$ 8,266,311	\$ 21,893,783
Cash received from assessments made to other funds	-	-	-	(954,158)
Cash payments to employees for services	(4,099,870)	(2,749,085)	(6,848,955)	(249,428)
Cash payments for insurance claims	-	-	-	(989,414)
Cash payments to suppliers for goods and services	(506,153)	(3,385,379)	(3,891,532)	(17,231)
Cash payments for facility use	(18,154)	(64,790)	(82,944)	-
Cash payments for other operating expenses	(299,359)	(367,884)	(667,243)	(20,009,903)
Net Cash Provided (Used) for Operating Activities	228,495	(3,452,858)	(3,224,363)	(326,351)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Nonoperating grants received	190,828	3,490,931	3,681,759	-
Transfers to other funds	-	-	-	(450,000)
Net Cash Provided (Used) from Noncapital Financing Activities	190,828	3,490,931	3,681,759	(450,000)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(39,048)	(44,055)	(83,103)	-
Net Cash Used for Capital and Related Financing Activities	(39,048)	(44,055)	(83,103)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	113,146	45,663	158,809	77,122
Net Cash Provided from Investing Activities	113,146	45,663	158,809	77,122
Net increase (decrease) in cash and cash equivalents	493,421	39,681	533,102	(699,229)
Cash and cash equivalents - Beginning	2,774,377	1,041,515	3,815,892	5,667,681
Cash and cash equivalents - Ending	\$ 3,267,798	\$ 1,081,196	\$ 4,348,994	\$ 4,968,452
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating loss	\$ (50,499)	\$ (3,757,097)	\$ (3,807,596)	\$ 383,531
Adjustments to reconcile operating income (loss) to net cash used by operating activities:				
Depreciation	91,765	31,750	123,515	-
Changes in assets and liabilities:				
Receivables	58,497	121,493	179,990	3,994
Due from other fund	887	45,612	46,499	(954,158)
Inventories	-	74,019	74,019	-
Accrued liabilities	47,371	(3,347)	44,024	(8,561)
Due to other fund	80,474	34,712	115,186	248,843
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	\$ 228,495	\$ (3,452,858)	\$ (3,224,363)	\$ (326,351)

### NONCASH, NONCAPITAL FINANCING ACTIVITIES

During the year, the District received \$305,929 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, 2006**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Deposits and investments	\$ 839,575
<b>Total Assets</b>	<u>\$ 839,575</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 4,905
Due to student groups	<u>834,670</u>
<b>Total Liabilities</b>	<u>\$ 839,575</u>

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

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

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### 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, 2006

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### **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 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.

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

**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.

### **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 the 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 obligation 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, 2006

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**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).

**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).

**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, 2006

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### **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 proprietary 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, 2006

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### Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year.

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 obligations, 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.

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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### Investments

Investments held at June 30, 2006, 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. Fair values of investments in county and State investment pools are determined by the program sponsor.

### 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.

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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### **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.

### **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 statement of net assets. 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 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.



# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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### **Fund Balance Reserves and Designations**

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

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

### **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 \$92,450,661 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.

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

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### **Budgetary Data**

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. 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 December 2004, GASB issued GASBS No. 46, *Net Assets Restricted by Enabling Legislation*. This Statement clarified 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 specified the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. Finally, this Statement required governments to disclose the portion of total net assets that is restricted by enabling legislation. As such, the District has made all applicable required disclosures.



# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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### New Accounting Pronouncements

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.

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 June 2005, GASB issued GASBS No. 47, *Accounting for Termination Benefits*. GASBS No. 47 addresses accounting for both voluntary and involuntary termination benefits. For termination benefits that affect an employer's obligations for defined benefit OPEB, the provisions of GASBS No. 47 should be applied simultaneously with the requirements of GASBS No. 45. For all other termination benefits, including those that affect an employer's obligations for defined benefit pension benefits, GASBS No. 47 is effective for financial statements for periods beginning after June 15, 2005. Earlier application of GASBS No. 47 is encouraged.

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2006, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 154,583,635
Business-type activities	4,348,994
Fiduciary funds	839,575
Total Deposits and Investments	<u><u>\$ 159,772,204</u></u>

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

Deposits and investments as of June 30, 2006, consist of the following:

Cash on hand and in banks	\$ 909,575
Cash in revolving	169,000
Investments	<u>158,693,629</u>
Total Deposits and Investments	<u>\$ 159,772,204</u>

### Policies and Practices

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

**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 Corporate 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, 2006**

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool and 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	\$ 80,715	10 days
First American Treasury Obligations Money Market Mutual Funds	4,768,144	10 days
Federal Home Loan Banks	353,594	12/17/07
Federal Home Loan Banks	195,688	05/16/08
Federal National Mortgage Association	196,876	04/18/11
MBIA, Inc. Investment Agreement	8,172,190	10/02/34
Morgan Stanley Investment Agreement	63,451,843	02/01/28
County Pool	81,444,760	115 days
Total	<u>\$ 158,663,810</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 minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual 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	\$ 80,715	*
First American Treasury Obligations Money Market Mutual Funds	4,768,144	Aaa
Federal Home Loan Banks	353,594	Aaa
Federal Home Loan Banks	195,688	Aaa
Federal National Mortgage Assosiation	196,876	Aaa
MBIA, Inc. Investment Agreement	8,172,190	Aa2
Morgan Stanley Investment Agreement	63,451,843	Aaa
County Pool	81,444,760	Aaa
Total	<u>\$ 158,663,810</u>	

\* Not required to be rated.

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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### **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. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2006, the District's bank balance of \$1,010,535 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 investments in Federal Home Loan Bank and Federal National Mortgage Association, the District has a custodial credit risk exposure of \$746,158 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, 2006**

**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2006, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General	Measure Y Building Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Internal Service Fund
Federal Government					
Categorical aid	\$ 2,167,782	\$ -	\$ -	\$ 27,642	\$ -
State Government					
Apportionment	3,247,158	-	-	6,479	-
Categorical aid	2,606,591	-	-	-	-
Lottery	980,932	-	-	-	-
Local Government					
Interest	228,368	121,215	33,186	68,995	12,656
Other Local Sources	751,117	532	16,040	13,820	2,065
Total	<u>\$ 9,981,948</u>	<u>\$ 121,747</u>	<u>\$ 49,226</u>	<u>\$ 116,936</u>	<u>\$ 14,721</u>

	Total Governmental Activities	Total Enterprise Funds
Federal Government		
Categorical aid	\$ 2,195,424	\$ 795,587
State Government		
Apportionment	3,253,637	-
Categorical aid	2,606,591	66,926
Lottery	980,932	-
Local Government		
Interest	464,420	17,654
Other Local Sources	783,574	146,368
Total	<u>\$ 10,284,578</u>	<u>\$ 1,026,535</u>

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 35,500,067	\$ -	\$ -	\$ 35,500,067
Construction in process	124,153,252	17,008,896	66,031,605	75,130,543
Total Capital Assets Not Being Depreciated	<u>159,653,319</u>	<u>17,008,896</u>	<u>66,031,605</u>	<u>110,630,610</u>
Capital Assets Being Depreciated				
Buildings and improvements	115,050,092	68,308,702	-	183,358,794
Furniture and equipment	13,334,365	1,644,186	30,500	14,948,051
Total Capital Assets Being Depreciated	<u>128,384,457</u>	<u>69,952,888</u>	<u>30,500</u>	<u>198,306,845</u>
Less Accumulated Depreciation				
Buildings and improvements	45,123,408	3,838,036	-	48,961,444
Furniture and equipment	9,975,890	741,186	30,500	10,686,576
Total Accumulated Depreciation	<u>55,099,298</u>	<u>4,579,222</u>	<u>30,500</u>	<u>59,648,020</u>
Governmental Activities Capital Assets, Net	<u>\$232,938,478</u>	<u>\$82,382,562</u>	<u>\$66,031,605</u>	<u>\$249,289,435</u>
<b>Business-Type Activities</b>				
Capital Assets Not Being Depreciated				
Construction in process	\$ 84,048	\$ -	\$ 47,475	\$ 36,573
Total Capital Assets Not Being Depreciated	<u>84,048</u>	<u>-</u>	<u>47,475</u>	<u>36,573</u>
Capital Assets Being Depreciated				
Buildings and improvements	2,433,075	86,523	-	2,519,598
Furniture and equipment	568,820	44,055	-	612,875
Total Capital Assets Being Depreciated	<u>3,001,895</u>	<u>130,578</u>	<u>-</u>	<u>3,132,473</u>
Less Accumulated Depreciation				
Buildings and improvements	473,125	92,615	-	565,740
Furniture and equipment	474,622	30,900	-	505,522
Total Accumulated Depreciation	<u>947,747</u>	<u>123,515</u>	<u>-</u>	<u>1,071,262</u>
Business-Type Activities Capital Assets, Net	<u>\$ 2,138,196</u>	<u>\$ 7,063</u>	<u>\$ 47,475</u>	<u>\$ 2,097,784</u>

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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

**Governmental Activities:**

Instruction	\$ 3,892,339
Supervision of instruction	45,792
Instructional library, media, and technology	45,792
School site administration	366,338
All other general administration	45,792
Plant services	183,169
Total Depreciation Expenses Governmental Activities	<u>4,579,222</u>

**Business-Type Activities:**

Child development	91,765
Food service	31,750
Total Depreciation Expenses Business-Type Activities	<u>123,515</u>
Total Depreciation Expenses All Activities	<u>\$ 4,702,737</u>

**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**NOTE 5 - INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances at June 30, 2006, between major and non-major governmental funds, non-major enterprise funds and internal service funds are as follows:

Due To	Due From						Total
	General Fund	Measure Y Building Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Enterprise Fund	Internal Service Fund	
General Fund	\$ -	\$ 658	\$ 6,156	\$ 30,633	\$ 568,351	\$ 450,754	\$ 1,056,552
Measure Y Building Fund	26,179	-	-	-	-	-	26,179
Special Reserve Capital Outlay Fund	300,000	-	-	-	-	-	300,000
Non-Major Governmental Funds	16,828	-	-	-	-	-	16,828
Enterprise Fund	10	-	-	-	194	-	204
Internal Service Fund	1,061,837	-	1,487	3,341	87,505	-	1,154,170
<b>Total</b>	<b>\$ 1,404,854</b>	<b>\$ 658</b>	<b>\$ 7,643</b>	<b>\$ 33,974</b>	<b>\$ 656,050</b>	<b>\$ 450,754</b>	<b>\$ 2,553,933</b>

The balance of \$1,061,837 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 \$312,338 due to the General Fund from the Child Development Enterprise Fund resulted from payroll and support cost reimbursements.

The balance of \$256,013 due to the General Fund from the Cafeteria Enterprise Fund resulted from payroll and support cost reimbursements.

The balance of \$300,000 due to the Special Reserve Capital Outlay Fund from the General Fund resulted from energy savings.

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



**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Operating Transfers**

Interfund transfers for the year ended June 30, 2006, consisted of the following:

Transfer To	Transfer From					Total
	General Fund	Measure Y Building Fund	Special Reserve Capital Fund	Non-Major Governmental Funds	Internal Service Fund	
General Fund	\$ -	\$ -	\$ 930,000	\$ -	\$450,000	\$1,380,000
Special Reserve Capital Fund	3,201,054	-	-	-	-	3,201,054
Debt Service Component Unit Fund	337,379	-	-	152,478	-	489,857
Non-Major Governmental Funds	900,000	1,301,569	910,348	400,000	-	3,511,917
<b>Total</b>	<b>\$ 4,438,433</b>	<b>\$ 1,301,569</b>	<b>\$ 1,840,348</b>	<b>\$ 552,478</b>	<b>\$450,000</b>	<b>\$8,582,828</b>

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.	2,901,054
The General Fund transferred to the Special Reserve Capital Fund for energy savings project.	300,000
The General Fund transferred to the Debt Service Fund for debt payment.	337,379
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.	94,567
The Building Fund transferred to the County School Facilities Fund for 40 percent match for construction projects.	1,207,002
The Special Reserve Capital Fund transferred to the General Fund for construction costs (maintenance support Yorba Linda students).	930,000
The Special Reserve Capital Fund transferred to the Energy Conservation Debt Service Fund for debt payments.	910,348
The Capital Outlay Component Unit Fund transferred to the Debt Service Fund for debt service payments.	152,478
The Internal Service Fund transferred to the General Fund for insurance related reimbursement costs.	450,000
<b>Total</b>	<b>\$8,582,828</b>

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, 2006

### NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2006, consisted of the following:

	General Fund	Measure Y Building Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Internal Service Fund
Vendor payables	\$ 390,780	\$ 37,245	\$ -	\$ 1,989	\$ -
State apportionment	159,322	-	-	-	-
Salaries and benefits	8,212,211	-	9,900	37,817	19,623
Other operating services	2,104,090	-	7,637	166,773	77,603
Construction	178,877	2,194,568	1,278,295	1,173,854	-
Other significant payables	549,795	2,878	788	-	-
Total	<u>\$ 11,595,075</u>	<u>\$2,234,691</u>	<u>\$ 1,296,620</u>	<u>\$ 1,380,433</u>	<u>\$ 97,226</u>

	Total Governmental Activities	Total Enterprise Funds
Vendor payables	\$ 430,014	\$ 74,054
State apportionment	159,322	-
Salaries and benefits	8,279,551	634,565
Other operating services	2,356,103	22,798
Construction	4,825,594	-
Other significant payables	553,461	615
Total	<u>\$ 16,604,045</u>	<u>\$ 732,032</u>

### NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2006, consists of the following:

	General
Federal financial assistance	\$ 473,235
State categorical aid	188,184
Total	<u>\$ 661,419</u>

**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**NOTE 8 - LONG-TERM OBLIGATIONS**

**Summary**

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

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006	Due in One Year
General obligation bonds	\$ 97,999,671	\$ 37,568,541	\$ 37,680,000	\$ 97,888,212	\$ 2,865,000
Premium on issuance	5,262,804	4,284,580	328,854	9,218,530	-
Certificates of participation	21,885,000	86,860,315	16,785,000	91,960,315	210,000
Premium on issuance	-	1,957,100	34,948	1,922,152	-
CFD special tax bonds	5,505,000	-	95,000	5,410,000	95,000
Compensated absences	968,744	481,715	-	1,450,459	-
Capital leases	15,052,482	-	964,058	14,088,424	982,680
PARS supplementary retirement plan	2,662,948	-	887,650	1,775,298	887,650
	<u>\$ 149,336,649</u>	<u>\$ 131,152,251</u>	<u>\$ 56,775,510</u>	<u>\$ 223,713,390</u>	<u>\$ 5,040,330</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				Bonds Outstanding End of Year
				Outstanding Beginning of Year	Accreted	Issued	Redeemed	
6/1/02	8/1/26	1.65 - 6.87	\$ 44,997,800	\$ 40,936,548	\$ 94,381	\$ -	\$ 37,055,000	\$ 3,975,929
5/1/04	8/1/28	1.70 - 5.94	29,999,744	30,063,513	104,523	-	625,000	29,543,036
5/5/05	8/1/29	2.70 - 5.22	26,999,610	26,999,610	44,637	-	-	27,044,247
12/8/05	8/1/24	3.06 - 4.35	37,325,000	-	-	37,325,000	-	37,325,000
				<u>\$ 97,999,671</u>	<u>\$ 243,541</u>	<u>\$ 37,325,000</u>	<u>\$ 37,680,000</u>	<u>\$ 97,888,212</u>

**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**2002 General Obligation Bonds, Series A**

In June 2002, the District issued current and capital appreciation bonds, 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 were used to provide funds to finance new school construction and additions to and modernization of school facilities. In December 2005, the District exercised its right to redeem the Callable 2002 Bonds by issuing 2006 General Obligation Revenue Bonds. The 2002 Bonds issued as capital appreciation bonds, and the 2002 Bonds issued as current interest bonds maturing on or before August 1, 2012 will remain outstanding and are not being refunded from the proceeds of the Bonds.

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>
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	650,000	-	1,865,094	2,515,094
2012-2016	-	-	1,650,969	1,650,969
2017-2021	1,940,929	1,559,070	3,173,313	6,673,312
Total	<u>\$ 3,975,929</u>	<u>\$ 1,559,070</u>	<u>\$ 14,325,771</u>	<u>\$ 19,860,770</u>

**2002 General Obligation Bonds, Series B**

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

**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

The bonds mature as follows:

Fiscal Year	Principal including accreted interest to date	Accreted interest	Current interest to maturity	Total
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	650,000	-	1,282,675	1,932,675
2012-2016	4,275,000	-	5,900,969	10,175,969
2017-2021	6,570,000	-	4,546,788	11,116,788
2022-2026	9,570,000	-	2,416,700	11,986,700
2027-2029	4,913,036	8,466,964	180,400	13,560,400
Total	<u>\$ 29,543,036</u>	<u>\$ 8,466,964</u>	<u>\$ 19,689,425</u>	<u>\$ 57,699,425</u>

**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:

Fiscal Year	Principal including accreted interest to date	Accreted interest	Current interest to maturity	Total
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	320,000	-	1,215,188	1,535,188
2012-2016	2,150,000	-	5,851,656	8,001,656
2017-2021	3,475,000	-	5,276,438	8,751,438
2022-2026	5,200,000	-	4,282,000	9,482,000
2027-2029	15,174,247	4,760,753	1,705,000	21,640,000
Total	<u>\$ 27,044,247</u>	<u>\$ 4,760,753</u>	<u>\$ 23,282,121</u>	<u>\$ 55,087,121</u>

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

### 2006 General Obligation Revenue Bonds

In December 2005, the District issued current interest bonds 2006 General Obligation Revenue Bonds in the amount of \$37,325,000. The bonds mature through August 2024, with interest yields from 3.06 to 4.35 percent. The bonds were issued for the purpose of providing funds to refinance the callable maturities of an outstanding issue of General Obligation Bonds previously issued by the District through the acquisition and exercise of the District's rights to redeem the Callable 2002 Bonds.

Fiscal Year	Principal	Interest	Total
2007	\$ 715,000	\$ 2,019,533	\$ 2,734,533
2008	580,000	1,917,500	2,497,500
2009	575,000	1,894,125	2,469,125
2010	600,000	1,869,538	2,469,538
2011	600,000	1,844,715	2,444,715
2012-2016	7,135,000	8,542,865	15,677,865
2017-2021	11,115,000	6,332,250	17,447,250
2022-2025	16,005,000	1,779,938	17,784,938
Total	<u>\$ 37,325,000</u>	<u>\$ 26,200,464</u>	<u>\$ 63,525,464</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, 2028. At June 30, 2006, the principal balance outstanding was \$5,100,000.

The certificates mature as follows:

Year Ending June 30,	Principal	Interest	Total
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	175,000	184,161	359,161
2012-2016	985,000	829,916	1,814,916
2017-2021	1,170,000	638,806	1,808,806
2022-2026	1,435,000	376,894	1,811,894
2027-2028	675,000	51,000	726,000
Total	<u>\$ 5,100,000</u>	<u>\$ 2,864,921</u>	<u>\$ 7,964,921</u>

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2006**

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In January 2006, the District issued current interest and capital appreciation bonds totaling \$86,860,315 of 2006 Certificates of Participation, pursuant to a lease agreement with the District and the California School Boards Association Finance Corporation. The 2006 Certificates of Participation are used to provide funds to refinance a 2003 Lease Payment obligation of the District and the related 2003 Certificates of Participation, and to provide funds to finance the construction of a new high school. The bonds mature through October 2034, with interest yields from 3.06 to 4.35 percent. At June 30, 2006, the principal balance outstanding was \$86,860,315.

The certificates mature as follows:

Year Ending June 30,	Principal including accreted interest to date	Accreted interest	Current interest to maturity	Total
2007	\$ 50,000	\$ -	\$ 2,686,553	\$ 2,736,553
2008	-	-	3,945,588	3,945,588
2009	-	-	3,945,588	3,945,588
2010	-	-	3,945,587	3,945,587
2011	-	-	3,945,587	3,945,587
2012-2016	3,450,000	-	19,537,937	22,987,937
2017-2021	8,450,000	-	18,378,363	26,828,363
2022-2026	14,700,000	-	15,814,562	30,514,562
2027-2031	28,090,000	-	11,469,000	39,559,000
2032-2035	32,120,315	14,294,685	2,682,600	49,097,600
Total	\$ 86,860,315	\$ 14,294,685	\$ 86,351,365	\$ 187,506,365

**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**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, 2032. At June 30, 2006, the principal balance outstanding was \$5,410,000.

Year Ending June 30,	Principal	Interest	Total
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	115,000	287,770	402,770
2012-2016	655,000	1,345,743	2,000,743
2017-2021	850,000	1,142,275	1,992,275
2022-2026	1,125,000	853,000	1,978,000
2027-2031	1,515,000	459,750	1,974,750
2032-2033	740,000	45,000	785,000
Total	<u>\$ 5,410,000</u>	<u>\$ 5,329,901</u>	<u>\$ 10,739,901</u>

**Compensated Absences**

Accumulated unpaid employee vacation for the District at June 30, 2006, amounted to \$1,450,459.

**Capital Leases**

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

Balance, Beginning of Year	<u>\$ 20,242,673</u>
Payments	1,655,955
Balance, End of Year	<u>\$ 18,586,718</u>



**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2007	\$ 1,630,469
2008	1,671,321
2009	1,714,214
2010	1,613,220
2011	1,568,206
2012-2016	5,976,401
2017-2021	4,412,887
Total	18,586,718
Less: Amount Representing Interest	4,498,294
Present Value of Minimum Lease Payments	<u>\$ 14,088,424</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, 2006, the remaining obligation is \$1,775,298.

Year Ending June 30,	Payment
2007	\$ 887,649
2008	887,649
Total	<u>\$ 1,775,298</u>

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

### NOTE 9 - FUND BALANCES

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

	General Fund	Measure Y Building Fund	Special Reserve Capital Outlay Fund	Nonmajor Governmental Funds
<b>Reserved</b>				
Revolving cash	\$ 169,000	\$ -	\$ -	\$ -
Stores inventory	531,238	-	-	-
Restricted programs	4,797,676	-	-	19,063
Total Reserved	<u>5,497,914</u>	<u>-</u>	<u>-</u>	<u>19,063</u>
<b>Unreserved</b>				
Designated				
Economic uncertainties	7,228,735	-	-	-
Capital projects	-	29,293,812	71,767,773	9,327,944
Other designations	8,158	-	-	240,092
Total Designated	<u>7,236,893</u>	<u>29,293,812</u>	<u>71,767,773</u>	<u>9,568,036</u>
Undesignated	-	-	-	5,688,194
Total Unreserved	<u>7,236,893</u>	<u>29,293,812</u>	<u>71,767,773</u>	<u>15,256,230</u>
Total	<u>\$ 12,734,807</u>	<u>\$ 29,293,812</u>	<u>\$ 71,767,773</u>	<u>\$ 15,275,293</u>

### NOTE 10 - POSTEMPLOYMENT BENEFITS

The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 5 or 10 years of service, depending on hire date and employee classification. Currently, 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 \$1,727,270 were recognized for retirees' health care benefits.

**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**NOTE 11 - 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 14 for additional information relating to public entity risk pools.)

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

**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.

**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, 2004 to June 30, 2006:

	Comprehensive Liability	Health and Welfare	Property Loss Risk	Workers' Compensation	Total
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	(386,646)	(17,605,837)	(289,475)	(1,898,201)	(20,180,159)
Liability Balance, June 30, 2005	362,856	271,000	850	4,479,645	5,114,351
Claims and changes in estimates	54,999	18,887,804	16,288	1,287,819	20,246,910
Claims payments	(54,999)	(18,887,804)	(16,288)	(1,287,819)	(20,246,910)
Liability Balance, June 30, 2006	<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, 2006	<u>\$ 500,180</u>	<u>\$ 2,776,521</u>	<u>\$ 57,326</u>	<u>\$ 2,803,316</u>	<u>\$ 6,137,343</u>

**NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS**

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

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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### STRS

#### Plan Description

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

#### Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2005-2006 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, 2006, 2005, and 2004, were \$7,583,305, \$7,265,990, and \$7,185,275, 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 2005-2006 was 9.116 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 years ending June 30, 2006, 2005 and 2004 were, \$1,956,032, \$1,846,519, and \$1,803,697, respectively, and equal 100 percent of the required contributions for each year.

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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### **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.

### **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 \$4,281,764 (4.517 percent of salaries subject to STRS). A contribution to PERS was not required for the year ended June 30, 2006. 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 13 - COMMITMENTS AND CONTINGENCIES**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2006.

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 14 - 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.

# **PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

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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, 2006, the District made payment of \$663,550, \$17,535, and \$1,892,383 to ASCIP, SELF, and NOCROP, respectively for goods or services noted above.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
<b>REVENUES</b>				
Revenue limit sources	\$ 137,298,321	\$ 139,017,762	\$ 139,325,507	\$ 307,745
Federal sources	9,550,948	12,325,216	10,960,224	(1,364,992)
Other State sources	30,880,197	32,558,000	36,563,623	4,005,623
Other local sources	2,432,776	8,503,322	8,782,458	279,136
<b>Total Revenues<sup>1</sup></b>	<b>180,162,242</b>	<b>192,404,300</b>	<b>195,631,812</b>	<b>3,227,512</b>
<b>EXPENDITURES</b>				
Current				
Instruction	116,709,730	128,259,691	126,863,842	1,395,849
Instruction-related activities:				
Supervision of instruction	7,015,450	8,691,073	7,901,991	789,082
Instructional library, media, and technology	666,887	855,357	815,696	39,661
School site administration	11,049,470	11,252,965	11,887,462	(634,497)
Pupil services:				
Home-to-school transportation	4,881,658	4,961,518	5,201,104	(239,586)
Food services	1,500	3,500	238	3,262
All other pupil services	6,305,462	6,742,294	6,751,949	(9,655)
General administration:				
Data processing	3,214,609	3,592,529	3,406,448	186,081
All other general administration	7,471,716	6,233,882	4,872,874	1,361,008
Plant services	19,218,152	20,135,242	20,369,197	(233,955)
Facility acquisition and construction	403,891	692,088	500,040	192,048
Community services	98,278	101,124	105,978	(4,854)
Other outgo	2,813,427	2,624,566	-	2,624,566
Enterprise services	800,000	800,000	800,000	-
Debt service				
Principal	-	673,132	209,395	463,737
Interest	-	-	98,175	(98,175)
<b>Total Expenditures<sup>1</sup></b>	<b>180,650,230</b>	<b>195,618,961</b>	<b>189,784,389</b>	<b>5,834,572</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(487,988)</b>	<b>(3,214,661)</b>	<b>5,847,423</b>	<b>9,062,084</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	930,000	1,380,000	1,380,000	-
Transfers out	(1,200,000)	(4,101,054)	(4,438,433)	(337,379)
Other uses	-	-	(2,713,699)	(2,713,699)
<b>Net Financing Uses</b>	<b>(270,000)</b>	<b>(2,721,054)</b>	<b>(5,772,132)</b>	<b>(3,051,078)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(757,988)</b>	<b>(5,935,715)</b>	<b>75,291</b>	<b>6,011,006</b>
<b>Fund Balance - Beginning</b>	<b>12,659,516</b>	<b>12,659,516</b>	<b>12,659,516</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 11,901,528</b>	<b>\$ 6,723,801</b>	<b>\$ 12,734,807</b>	<b>\$ 6,011,006</b>

<sup>1</sup> On behalf payments of \$4,281,764 are included in the actual revenues and expenditures, but have not been included in the budget amounts.

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***SUPPLEMENTARY INFORMATION***

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**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2006**

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	\$ 59,142
Improving America's School Act (IASA)			
Title I - AFDC and Neglected [1]	84.010	03797	2,410,574
Title I - Part B, Even Start Family Literacy	84.213	13001	284,137
Title II - Improving Teacher Quality	84.367	10085	1,079,290
Title II - Enhancing Education through Technology	84.318	14334	69,479
Title II - Enhancing Education through Technology	84.318	14368	241,895
Title III - Limited English Proficiency	84.365	10084	415,289
Title IV - Drug Free Schools	84.186	13453	98,067
Title VI - Innovative Strategies	84.298	13340	67,261
Title VI - California Alternate Performance Assessment	84.000	14488	1,390
Title VII - Bilingual Education	84.288	10008	153,616
21st Century Community Learning Centers [1]	84.287A	14349	582,546
Individuals with Disabilities Education Act (IDEA) [1]			
Local Assistance	84.027A	13379	4,034,916
Local Staff Development	84.027A	13613	12,348
Low Incidence	84.027A	03459	8,784
Infant Discretionary	84.027A	13612	1,877
Federal Preschool	84.173A	13430	121,338
Preschool Local Entitlement	84.027A	13682	263,433
Preschool Staff Development	84.173A	13431	1,544
Early Intervention Part C	84.027A	23761	57,724
Passed to Brea-Olinda USD:			
Local Assistance	84.027A	13379	837,862
Local Staff Development	84.027A	13613	2,667
Federal Preschool	84.173A	13430	22,916
Preschool Local Entitlement	84.027A	13682	47,933
Vocational Educational Grants			
Secondary Education	84.048	13924	140,637
Total U.S. Department of Education			<u>11,016,665</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Basic School Breakfast Program	10.553	13525	76,143
Especially Needy Breakfast	10.553	13526	528,358
Meal Supplements	10.555	13755	33,547
National School Lunch Program	10.555	13523	2,349,462
Food Commodities	10.550	13389	305,929
Total U.S. Department of Agriculture			<u>3,293,439</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through CDE:			
Child Care Development Fund Capacity Project	93.575	13942	6,441
Child Development - PreKindergarten Resource Contract	93.575	14773	2,222
Medi-Cal Billing Option	93.778	10013	120,296
Total U.S. Department of Health and Human Services			<u>128,959</u>
Total Expenditures of Federal Awards			<u>\$ 14,439,063</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, 2006**

	Annual ADA <u>2005-2006</u>	Amended Second Period ADA <u>2005-2006</u>
<b>ELEMENTARY</b>		
Kindergarten	1,658	1,665
First through third	5,390	5,402
Fourth through sixth	5,755	5,767
Seventh and eighth	4,083	4,106
Home and hospital	5	5
Special education - master plan	452	448
Special education - non-public	19	18
Extended year special education - mandated	30	31
Total Elementary	<u>17,392</u>	<u>17,442</u>
<b>SECONDARY</b>		
Regular classes	7,520	7,577
Continuation education	240	245
Home and hospital	8	6
Special education - master plan	230	230
Special education - non-public	13	12
Extended year special education - mandated	13	13
Total Secondary	<u>8,024</u>	<u>8,083</u>
Total K-12	<u>25,416</u>	<u>25,525</u>
<b>REGIONAL OCCUPATIONAL CENTERS - MANDATED</b>		
	<u>517</u>	<u>468</u>
<b>CLASSES FOR ADULTS</b>		
Concurrently enrolled	57	56
Not concurrently enrolled	117	110
Independent study	43	36
Total Classes for Adults	<u>217</u>	<u>202</u>
Grand Total	<u>26,150</u>	<u>26,195</u>
 <b>SUMMER SCHOOL/INTERSESSION- ANNUAL PUPIL HOURS OF ATTENDANCE</b>		
Core academic programs	160,194	
Students not meeting proficiency standards	258,661	
Total Hours	<u>418,855</u>	

See accompanying note to supplementary information.

**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2006**

Grade Level	1986-87	1986-87	2005-06	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	36,000	36,000	180	-	Complied
Grades 1 - 3	50,585	50,400	55,110	180	-	Complied
Grades 4 - 6	54,890	54,000	55,110	180	-	Complied
Grades 7 - 8	54,890	54,000	60,892	180	-	Complied
Grades 9 - 12	64,942	64,800	65,075	180	-	Complied

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

See accompanying note to supplementary information.

**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

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There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2006.

See accompanying note to supplementary information.



**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006**

	(Adopted July Budget) 2007 <sup>1</sup>	2006	2005	2004
<b>GENERAL FUND</b>				
Revenues	\$ 192,792,836	\$ 195,631,812	\$ 182,973,570	\$ 173,058,747
Other sources and transfers in	1,130,000	1,380,000	2,021,972	5,606,385
Total Revenues and Other Sources	193,922,836	197,011,812	184,995,542	178,665,132
Expenditures	192,266,312	189,784,389	180,566,095	179,057,380
Other uses and transfers out	1,200,000	7,152,132	4,828,377	4,417,143
Total Expenditures and Other Uses	193,466,312	196,936,521	185,394,472	183,474,523
<b>INCREASE (DECREASE) IN FUND BALANCE</b>	<u>\$ 456,524</u>	<u>\$ 75,291</u>	<u>\$ (398,930)</u>	<u>\$ (4,809,391)</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 13,191,331</u>	<u>\$ 12,734,807</u>	<u>\$ 12,659,516</u>	<u>\$ 13,058,446</u>
<b>AVAILABLE RESERVES<sup>2</sup></b>	<u>\$ 7,685,260</u>	<u>\$ 7,228,735</u>	<u>\$ 7,867,627</u>	<u>\$ 9,582,454</u>
<b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO<sup>3</sup></b>	<u>3.97%</u>	<u>3.75%</u>	<u>4.24%</u>	<u>5.22%</u>
<b>LONG-TERM OBLIGATIONS</b>	<u>N/A</u>	<u>\$ 223,013,390</u>	<u>\$ 149,336,649</u>	<u>\$ 113,129,070</u>
<b>K-12 AVERAGE DAILY ATTENDANCE AT P-2<sup>4</sup></b>	<u>25,525</u>	<u>25,525</u>	<u>25,582</u>	<u>25,584</u>

The General Fund balance has decreased by \$323,639 over the past two years. The fiscal year 2006-2007 budget projects an increase of \$456,524 (4 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 and anticipates incurring an operating surplus during the 2006-2007 fiscal year. Total long-term obligations have increased by \$109,884,320 over the past two years.

Average daily attendance has decreased by 59 over the past two years. No ADA growth is anticipated during fiscal year 2006-2007.

<sup>1</sup> Budget 2007 is included for analytical purposes only and has not been subjected to audit.

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

<sup>3</sup> On-behalf payments of \$4,281,764 and \$4,102,559 have been excluded from expenditures in the calculation of available reserves for the fiscal years ended June 30, 2006 and 2005, respectively.

<sup>4</sup> Excludes Adult Education and ROP ADA.

See accompanying note to supplementary information.

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2006

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### 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 apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

#### **Schedule of Instructional Time**

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

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

#### **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***

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**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET - UNAUDITED  
JUNE 30, 2006**

	<u>Adult Education Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>
<b>ASSETS</b>				
Deposits and investments	\$ 146,384	\$ 201,453	\$ 4,875,262	\$ 4,251,318
Receivables	34,853	1,341	33,344	26,119
Due from other funds	-	-	-	16,828
<b>Total Assets</b>	<u>\$ 181,237</u>	<u>\$ 202,794</u>	<u>\$ 4,908,606</u>	<u>\$ 4,294,265</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 34,308	\$ 57,739	\$ 763,676	\$ 524,710
Due to other funds	32,829	-	1,145	-
<b>Total Liabilities</b>	<u>67,137</u>	<u>57,739</u>	<u>764,821</u>	<u>524,710</u>
<b>FUND BALANCES</b>				
Reserved for:				
Legally restricted balance	19,063	-	-	-
Unreserved:				
Designated	95,037	145,055	4,143,785	3,769,555
Undesignated, reported in:				
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
<b>Total Fund Balances</b>	<u>114,100</u>	<u>145,055</u>	<u>4,143,785</u>	<u>3,769,555</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 181,237</u>	<u>\$ 202,794</u>	<u>\$ 4,908,606</u>	<u>\$ 4,294,265</u>

See accompanying note to supplementary information - unaudited.

<b>Capital Projects Component Unit Fund</b>	<b>Energy Conservation Capital Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Energy Conservation Debt Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 1,333,889	\$ 80,715	\$ 5,666,915	\$ -	\$ 16,555,936
-	-	21,279	-	116,936
-	-	-	-	16,828
<u>\$ 1,333,889</u>	<u>\$ 80,715</u>	<u>\$ 5,688,194</u>	<u>\$ -</u>	<u>\$ 16,689,700</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,380,433
-	-	-	-	33,974
-	-	-	-	1,414,407
-	-	-	-	19,063
-	-	-	-	8,153,432
-	-	5,688,194	-	5,688,194
1,333,889	80,715	-	-	1,414,604
<u>1,333,889</u>	<u>80,715</u>	<u>5,688,194</u>	<u>-</u>	<u>15,275,293</u>
<u>\$ 1,333,889</u>	<u>\$ 80,715</u>	<u>\$ 5,688,194</u>	<u>\$ -</u>	<u>\$ 16,689,700</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, 2006**

	Adult Education Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund
<b>REVENUES</b>				
Revenue limit sources	\$ 525,137	\$ -	\$ -	\$ -
Federal sources	59,142	-	-	-
Other State sources	-	1,024,868	-	712,020
Other local sources	14,577	18,553	1,732,906	446,442
<b>Total Revenues</b>	<u>598,856</u>	<u>1,043,421</u>	<u>1,732,906</u>	<u>1,158,462</u>
<b>EXPENDITURES</b>				
Current				
Instruction	282,306	-	-	-
Instruction-related activities:				
School site administration	276,894	-	-	-
General administration:				
All other general administration	28,469	-	-	-
Plant services	-	1,642,312	-	-
Facility acquisition and construction	-	248,688	2,171,794	9,313,050
Debt service				
Principal	4,923	-	-	-
Interest and other	906	-	-	-
<b>Total Expenditures</b>	<u>593,498</u>	<u>1,891,000</u>	<u>2,171,794</u>	<u>9,313,050</u>
<b>Excess (Deficiency) of</b>				
<b>Revenues Over Expenditures</b>	<u>5,358</u>	<u>(847,579)</u>	<u>(438,888)</u>	<u>(8,154,588)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	900,000	-	1,207,002
Other sources	-	-	-	-
Transfers out	-	(400,000)	-	-
<b>Net Financing Sources (Uses)</b>	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>1,207,002</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>5,358</u>	<u>(347,579)</u>	<u>(438,888)</u>	<u>(6,947,586)</u>
<b>Fund Balance - Beginning</b>	108,742	492,634	4,582,673	10,717,141
<b>Fund Balance - Ending</b>	<u>\$ 114,100</u>	<u>\$ 145,055</u>	<u>\$ 4,143,785</u>	<u>\$ 3,769,555</u>

See accompanying note to supplementary information - unaudited.

<b>Capital Projects Component Unit Fund</b>	<b>Energy Conservation Capital Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Energy Conservation Debt Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ 525,137
-	-	-	-	59,142
-	-	58,899	-	1,795,787
907,962	23,979	5,514,181	-	8,658,600
907,962	23,979	5,573,080	-	11,038,666
-	-	-	-	282,306
-	-	-	-	276,894
-	-	-	-	28,469
-	-	-	-	1,642,312
910,275	1,813,030	-	-	14,456,837
-	-	1,375,000	749,740	2,129,663
603,056	-	4,220,524	655,175	5,479,661
1,513,331	1,813,030	5,595,524	1,404,915	24,296,142
(605,369)	(1,789,051)	(22,444)	(1,404,915)	(13,257,476)
-	-	-	1,404,915	3,511,917
297,441	-	905,355	-	1,202,796
(152,478)	-	-	-	(552,478)
144,963	-	905,355	1,404,915	4,162,235
(460,406)	(1,789,051)	882,911	-	(9,095,241)
1,794,295	1,869,766	4,805,283	-	24,370,534
\$ 1,333,889	\$ 80,715	\$ 5,688,194	\$ -	\$ 15,275,293

**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, 2006**

(Amounts in thousands)

	Actual Results for the Years					
	2005-2006		2004-2005		2003-2004	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
<b>REVENUES</b>						
Federal revenue	\$ 10,960	5.6	\$ 10,744	5.9	\$ 9,354	5.4
State and local revenue included in revenue limit	139,326	71.2	135,958	74.3	127,038	73.4
Other state revenue	36,563	18.7	30,673	16.8	31,486	18.2
Other local revenue	8,782	4.5	5,598	3.0	5,181	3.0
<b>Total Revenues</b>	<b>195,631</b>	<b>100.0</b>	<b>182,973</b>	<b>100.0</b>	<b>173,059</b>	<b>100.0</b>
<b>EXPENDITURES</b>						
Salaries and Benefits						
Certificated salaries	95,952	49.1	91,928	50.2	91,180	52.7
Classified salaries	30,659	15.7	28,557	15.6	27,834	16.1
Employee benefits	36,283	18.6	34,394	18.8	28,589	16.5
<b>Total Salaries and Benefits</b>	<b>162,894</b>	<b>83.4</b>	<b>154,879</b>	<b>84.6</b>	<b>147,603</b>	<b>85.3</b>
Books and supplies	8,679	4.4	8,863	4.8	9,615	5.6
Contracts and operating expenses	17,866	9.1	15,675	8.6	16,975	9.8
Capital outlay	714	0.4	471	0.3	395	0.2
Other outgo	(676)	(0.3)	677	0.4	4,470	2.6
Debt service - interest and other	307	-	-	-	-	-
<b>Total Expenditures</b>	<b>189,784</b>	<b>97.0</b>	<b>180,565</b>	<b>98.7</b>	<b>179,058</b>	<b>103.5</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>5,847</b>	<b>3.0</b>	<b>2,408</b>	<b>1.3</b>	<b>(5,999)</b>	<b>(3.5)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Net financing uses	(5,772)	(3.0)	(2,806)	(1.5)	1,189	0.7
<b>INCREASE (DECREASE) IN FUND BALANCE</b>	<b>75</b>	<b>-</b>	<b>(398)</b>	<b>(0.2)</b>	<b>(4,810)</b>	<b>(2.8)</b>
FUND BALANCE, BEGINNING	12,660		13,058		17,868	
FUND BALANCE, ENDING	<u>\$ 12,735</u>		<u>\$ 12,660</u>		<u>\$ 13,058</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, 2006**

(Amounts in thousands)

	Actual Results for the Years					
	2005-2006		2004-2005		2003-2004	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
<b>REVENUES</b>						
Federal - NSLP	\$ 3,294	50.8	\$ 2,780	48.3	\$ 2,572	47.2
State meal program	197	3.0	182	3.2	167	3.1
Food sales	2,947	45.5	2,761	48.0	2,701	49.5
Other	46	0.7	28	0.5	14	0.2
Total Revenues	<u>6,484</u>	<u>100.0</u>	<u>5,751</u>	<u>100.0</u>	<u>5,454</u>	<u>100.0</u>
<b>EXPENDITURES</b>						
Salaries and employee benefits	2,780	42.9	2,616	45.5	2,504	45.9
Food	3,076	47.4	2,632	45.8	2,695	49.4
Supplies	363	5.6	255	4.4	352	6.5
Other	498	7.7	447	7.8	388	7.1
Total Expenditures	<u>6,717</u>	<u>103.6</u>	<u>5,950</u>	<u>103.5</u>	<u>5,939</u>	<u>108.9</u>
<b>INCREASE/(DECREASE) IN FUND BALANCE</b>	(233)	<u>(3.6)</u>	(199)	<u>(3.5)</u>	(485)	<u>(8.9)</u>
<b>FUND BALANCE, BEGINNING</b>	1,791		1,990		2,475	
<b>FUND BALANCE, ENDING</b>	<u>\$ 1,558</u>		<u>\$ 1,791</u>		<u>\$ 1,990</u>	
<b>ENDING FUND BALANCE TO TOTAL REVENUES</b>		<u>24.0</u>		<u>31.1</u>		<u>36.5</u>

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**TYPE 'A' LUNCH/BREAKFAST PARTICIPATION**

	2005-2006		2004-2005		2003-2004	
	Amount	Percent	Amount	Percent	Amount	Percent
<b>TYPE 'A' LUNCHESES</b>						
Paid	763,192	42.3	757,541	43.7	763,825	44.1
Reduced price	269,231	14.9	219,022	12.6	189,308	10.9
Free	770,765	42.8	756,888	43.7	712,630	41.1
Total Lunches	<u>1,803,188</u>	<u>100.0</u>	<u>1,733,451</u>	<u>100.0</u>	<u>1,665,763</u>	<u>96.1</u>
<b>BREAKFAST</b>						
Paid	112,414	21.5	109,671	22.4	107,540	22.9
Reduced price	100,208	19.1	75,778	15.5	65,399	14.0
Free	310,722	59.4	305,023	62.1	295,655	63.1
Total Breakfast	<u>523,344</u>	<u>100.0</u>	<u>490,472</u>	<u>100.0</u>	<u>468,594</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, 2006

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### 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.

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***INDEPENDENT AUDITORS' REPORTS***

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

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

We have audited the financial statements of 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, 2006, which collectively comprise the Placentia-Yorba Linda Unified School District's basic financial statements and have issued our report thereon dated October 13, 2006. 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 October 13, 2006.

**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.

*Varunich, Irvine, Day & Co., LLP*

Rancho Cucamonga, California  
October 13, 2006



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON 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, 2006. 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, 2006.

## 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.

*Varrinck, Irvine, Day & Co., LLP*

Rancho Cucamonga, California  
October 13, 2006





**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, 2006, and have issued our report thereon dated October 13, 2006. 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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2005-2006*, issued by the California Education Audit Appeals Panel as regulations. 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's 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
<b>Attendance Accounting:</b>		
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
<b>Instructional Time:</b>		
School districts	4	Yes
County offices of education	3	Not Applicable
Community day schools	9	Not Applicable
Morgan-Hart Class Size Reduction	7	Not Applicable

	Procedures in Controller's Audit Guide	Procedures Performed
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, See Below
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
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Yes
District or charter schools with only one school serving K-3	4	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Additional Non classroom-based instruction	1	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	3	Not Applicable

We did not perform testing for the Regional Occupation Program ROP because the ROP's average daily attendance is the responsibility of the ROP's auditors. Step 1 was performed for the Alternative Pension Plans; however, as the District has no such plan, step 2 was not performed.

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.

*Vawter, Irvine, Day & Co., LLP*

Rancho Cucamonga, California  
October 13, 2006

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2006**

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I</u>
<u>84.027A, 84.173A</u>	<u>Individuals with Disabilities Education Act</u>
<u>84.287A</u>	<u>21st Century Community Learning Center</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 433,172</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, 2006**

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None reported.

**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2006**

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None reported.

**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2006**

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None reported.



**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2006**

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

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

In planning and performing our audit of the financial statements of Placentia-Yorba Linda Unified School District, for the year ended June 30, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated October 13, 2006, on the combining financial statements of Placentia-Yorba Linda Unified School District.

*Associate Student Body Funds*

*Esperanza High School*

Observation

Revenue potentials are not being forwarded to the ASB after fundraising activities have been completed. The ASB clerk was not aware that students need to complete the analysis portion of the revenue potential. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to monitor the money as it is spent and received.

Recommendation

As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue, and actual revenue. The revenue potential form also indicates whether or not all the monies that should have been raised and turned in were based on the price of the item and number sold. This allows an analysis of the fundraiser to be conducted indicating to the staff the success of the completed project. The revenue potential also indicates weak control areas in the fundraising procedures at the site including lost or stolen merchandise, problems with collecting all monies due, and so forth.

Observation

A master ticket log is not being used to account for all tickets on hand and used during the year. Auditor was unable to trace the ticket rolls back to the sporting event that used the tickets.

Recommendation

A master ticket log should be maintained which notes the type of ticket, color, and current beginning ticket number in the roll. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the form should be reconciled to the log.

Observation

The ASB does not maintain an inventory of the PE Clothes purchased or sold; therefore, no accountability exists for the inventory.

Recommendation

According to the policies and procedures outlined in the "Accounting Procedures for Student Body Organizations," prepared by the California Department of Education, a physical inventory should be taken quarterly under supervision of the student store advisor. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been lost or stolen.

Observation

Deposits are not being made timely by the site bookkeeper. This results in large cash balances being maintained at the site which severely decreases the safeguarding of the asset. The cash on hand at the site on the audit date amounted to \$13,572.

Recommendation

At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity, there may be a need to make more than one deposit. The District should establish guidelines for this procedure including the maximum cash on hand that should be maintained at the site. The ultimate responsibility, however, will reside with the site bookkeeper to make the deposits timely.

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

*Varrinelo, Irnie, Day & Co., LLP*

Rancho Cucamonga, California  
October 13, 2006