

**PLACENTIA-YORBA LINDA  
UNIFIED SCHOOL DISTRICT**

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2007**

**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**OF ORANGE COUNTY**

**PLACENTIA, CALIFORNIA**

**JUNE 30, 2007**

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**GOVERNING BOARD**

| <u>MEMBER</u>           | <u>OFFICE</u>  | <u>TERM EXPIRES</u> |
|-------------------------|----------------|---------------------|
| Mrs. Jan Wagner         | President      | 2010                |
| Mrs. Judy Miller        | Vice President | 2008                |
| Mrs. Carol Downey       | Clerk          | 2008                |
| Mrs. Karin Freeman      | Trustee        | 2010                |
| 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 |
| Ms. Beth Berndt       | 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, 2007, 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 2006-07* 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, 2007, 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 November 12, 2007, 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 on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is/are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, 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  
November 12, 2007

# 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 (including capital assets), 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 Activities* 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, 2007

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### 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, 2007

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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, 2007

Total net assets (Governmental Activities) increased by \$25.3 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 Note 8.

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)                           | 2007                    |                          |                            | 2006, as restated       |                          |                            |
|-------------------------------------------------|-------------------------|--------------------------|----------------------------|-------------------------|--------------------------|----------------------------|
|                                                 | Governmental Activities | Business-Type Activities | School District Activities | Governmental Activities | Business-Type Activities | School District Activities |
| Current and other assets                        | \$ 96.3                 | \$ 5.6                   | \$ 101.9                   | \$ 168.5                | \$ 4.9                   | \$ 173.4                   |
| Capital assets                                  | 342.3                   | 2.0                      | 344.3                      | 249.3                   | 2.1                      | 251.4                      |
| <b>Total Assets</b>                             | <b>438.6</b>            | <b>7.6</b>               | <b>446.2</b>               | <b>417.8</b>            | <b>7.0</b>               | <b>424.8</b>               |
| Current liabilities                             | 25.6                    | 0.7                      | 26.3                       | 25.5                    | 0.7                      | 26.2                       |
| Long-term obligations                           | 213.7                   | -                        | 213.7                      | 218.3                   | -                        | 218.3                      |
| <b>Total Liabilities</b>                        | <b>239.3</b>            | <b>0.7</b>               | <b>240.0</b>               | <b>243.8</b>            | <b>0.7</b>               | <b>244.5</b>               |
| Net assets                                      |                         |                          |                            |                         |                          |                            |
| Invested in capital assets, net of related debt | 144.6                   | 2.0                      | 146.6                      | 60.6                    | 2.1                      | 62.7                       |
| Restricted                                      | 34.4                    | -                        | 34.4                       | 86.1                    | -                        | 86.1                       |
| Unrestricted                                    | 20.3                    | 4.9                      | 25.2                       | 27.3                    | 4.2                      | 31.5                       |
| <b>Total Net Assets</b>                         | <b>\$ 199.3</b>         | <b>\$ 6.9</b>            | <b>\$ 206.2</b>            | <b>\$ 174.0</b>         | <b>\$ 6.3</b>            | <b>\$ 180.3</b>            |

The \$20.3 million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations.

### Governmental Activities

*Current and other assets* decreased due to the purchase of items listed below.

*Capital assets* increased as follow:

1. Purchase of land and cost of construction for Valadez Middle and Yorba Linda High (new Schools)
2. New construction of a building at Valencia High School, a girls locker room (1<sup>st</sup> floor) and 8 classrooms (2<sup>nd</sup> floor)



# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

### 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.

**Table 2**

| (Amounts in millions)                   | 2007                       |                             |                               | 2006                       |                             |                               |
|-----------------------------------------|----------------------------|-----------------------------|-------------------------------|----------------------------|-----------------------------|-------------------------------|
|                                         | Governmental<br>Activities | Business-Type<br>Activities | School District<br>Activities | Governmental<br>Activities | Business-Type<br>Activities | School District<br>Activities |
| <b>Revenues</b>                         |                            |                             |                               |                            |                             |                               |
| Program revenues:                       |                            |                             |                               |                            |                             |                               |
| Charges for services                    | \$ 1.8                     | \$ 8.5                      | \$ 10.3                       | \$ 3.8                     | \$ 8.0                      | \$ 11.8                       |
| Operating grants<br>and contributions   | 48.7                       | 4.0                         | 52.7                          | 41.6                       | 3.4                         | 45.0                          |
| Capital grants<br>and contributions     | 0.2                        | -                           | 0.2                           | 1.1                        | -                           | 1.1                           |
| General revenues:                       |                            |                             |                               |                            |                             |                               |
| Federal and State<br>aid not restricted | 88.3                       | -                           | 88.3                          | 76.9                       | -                           | 76.9                          |
| Property taxes                          | 76.1                       | -                           | 76.1                          | 76.6                       | -                           | 76.6                          |
| Other general<br>revenues               | 31.1                       | 0.2                         | 31.3                          | 15.2                       | -                           | 15.2                          |
| <b>Total Revenues</b>                   | <b>246.2</b>               | <b>12.7</b>                 | <b>258.9</b>                  | <b>215.2</b>               | <b>11.4</b>                 | <b>226.6</b>                  |
| <b>Expenses</b>                         |                            |                             |                               |                            |                             |                               |
| Instruction related                     | 161.1                      | -                           | 161.1                         | 152.2                      | -                           | 152.2                         |
| Student support services                | 12.9                       | -                           | 12.9                          | 12.0                       | -                           | 12.0                          |
| Administration                          | 8.8                        | -                           | 8.8                           | 7.5                        | -                           | 7.5                           |
| Maintenance<br>and operations           | 22.8                       | -                           | 22.8                          | 29.3                       | -                           | 29.3                          |
| Other                                   | 15.3                       | 12.1                        | 27.4                          | 14.8                       | 11.4                        | 26.2                          |
| <b>Total Expenses</b>                   | <b>220.9</b>               | <b>12.1</b>                 | <b>233.0</b>                  | <b>215.8</b>               | <b>11.4</b>                 | <b>227.2</b>                  |
| <b>Change in<br/>Net Assets</b>         | <b>\$ 25.3</b>             | <b>\$ 0.6</b>               | <b>\$ 25.9</b>                | <b>\$ (0.6)</b>            | <b>\$ -</b>                 | <b>\$ (0.6)</b>               |

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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### Governmental Activities

The District's change in net assets increased by \$25.3 million from 2006. A major increase was a result of State Grant funds received in the current year. There was also an overall increase in general revenues due to developer fees; State revenue limit sources increased by \$8.7 million due to a change in funding of 5.92 percent COLA, and a zero deficit reduction. Other changes were as follows:

1. The total expenses of all governmental activities this year was \$220.9 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 - \$48.7 million.
4. Fee based programs were paid for by the end users of the District's programs - \$1.8million.

### Net Cost of Governmental Activities

In Table 3, we have presented the cost and net 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)      | 2007                      |                         | 2006                      |                         |
|----------------------------|---------------------------|-------------------------|---------------------------|-------------------------|
|                            | Total Cost<br>of Services | Net Cost<br>of Services | Total Cost<br>of Services | Net Cost<br>of Services |
| Instruction                | \$ 147.5                  | \$ 108.3                | \$ 139.0                  | \$ 106.8                |
| Other pupil services       | 12.9                      | 7.6                     | 12.6                      | 7.6                     |
| School administration      | 13.6                      | 12.9                    | 12.6                      | 12.1                    |
| General administration     | 8.8                       | 7.8                     | 7.5                       | 6.4                     |
| Maintenance and operations | 22.8                      | 22.2                    | 29.3                      | 27.4                    |
| Other                      | 15.3                      | 11.4                    | 14.8                      | 9.0                     |
| <b>Totals</b>              | <b>\$ 220.9</b>           | <b>\$ 170.2</b>         | <b>\$ 215.8</b>           | <b>\$ 169.3</b>         |

Besides the increase cost for land & construction, an increase in salary & health benefits occurred.

**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2007**

**THE DISTRICT'S FUNDS**

As the District completed this year, our governmental funds reported a combined fund balance of \$69.4 million and \$142.2 million for June 30, 2007 and June 30, 2006, respectively, which was a decrease of \$72.8 million from last year (Table 4).

**Table 4**

| (Amounts in millions)        | Balances and Activities      |                 |                 |                |
|------------------------------|------------------------------|-----------------|-----------------|----------------|
|                              | June 30, 2006<br>as restated | Revenues        | Expenditures    | June 30, 2007  |
| General                      | \$ 12.7                      | \$ 214.8        | \$ 206.3        | \$ 21.2        |
| Adult education              | 0.1                          | 0.7             | 0.6             | 0.2            |
| Deferred maintenance         | 0.2                          | 2.4             | 2.5             | 0.1            |
| Measure Y Building           | 29.3                         | 4.3             | 22.7            | 10.9           |
| Capital facilities           | 4.1                          | 7.3             | 5.7             | 5.7            |
| County school facilities     | 3.7                          | 0.2             | 1.6             | 2.3            |
| Special reserve - capital    | 71.8                         | 9.2             | 65.5            | 15.5           |
| Bond interest and redemption | 5.7                          | 5.9             | 7.7             | 3.9            |
| Other                        | 14.6                         | 7.3             | 12.3            | 9.6            |
| <b>Totals</b>                | <b>\$ 142.2</b>              | <b>\$ 252.1</b> | <b>\$ 324.9</b> | <b>\$ 69.4</b> |

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

General State Grant revenues that were received at year-end, but were not expended.

Measure Y Building spending on various facility projects.

Special reserve- capital purchase of land and building construction cost for Valadez Middle and Yorba Linda High School.

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. 43 |
| Fund Balances                                                    | Pg. 51 |

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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### 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 2006-2007 Budget were due to deferred income (funds that were deferred and budgeted subsequent to the original budget) and newly acquired grant awards.
- Actual expenditures were less than final budgeted amount. The District budgets specific programs as though all funds will be spent. If balances occur at year-end, then they are carried over and re-budgeted in the following year.

Carryover of Specific Programs is as follows:

1. All restricted programs, not including Special Education Master Plan and Transportation.
2. Unrestricted programs include Unit Resource, Medi-Cal Administration activity, Star Testing, and E-Rate.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2007 and June 30, 2006, the District had \$344.3 million and \$251.4 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)            | 2007            |               |                 | 2006            |               |                 |
|----------------------------------|-----------------|---------------|-----------------|-----------------|---------------|-----------------|
|                                  | Governmental    | Business-Type | Totals          | Governmental    | Business-Type | Totals          |
|                                  | Activities      | Activities    |                 | Activities      | Activities    |                 |
| Land and construction in process | \$ 187.5        | \$ -          | \$ 187.5        | \$ 110.6        | \$ -          | \$ 110.6        |
| Buildings and improvements       | 151.1           | 1.9           | 153.0           | 134.4           | 2.0           | 136.4           |
| Equipment                        | 3.7             | 0.1           | 3.8             | 4.3             | 0.1           | 4.4             |
| <b>Totals</b>                    | <b>\$ 342.3</b> | <b>\$ 2.0</b> | <b>\$ 344.3</b> | <b>\$ 249.3</b> | <b>\$ 2.1</b> | <b>\$ 251.4</b> |

Capital assets increased by \$90.9 million and was due to the purchase of land and construction costs at Valadez Middle and Yorba Linda High School.

**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2007**

**Outstanding Obligations**

**Table 6**

| (Amounts in millions)                                   | 2007            |               |                 | 2006, as restated |               |                 |
|---------------------------------------------------------|-----------------|---------------|-----------------|-------------------|---------------|-----------------|
|                                                         | Governmental    | Business-Type |                 | Governmental      | Business-Type |                 |
|                                                         | Activities      | Activities    | Totals          | Activities        | Activities    | Totals          |
| General obligation bonds (financed with property taxes) | \$ 103.9        | \$ -          | \$ 103.9        | \$ 106.8          | \$ -          | \$ 106.8        |
| Certificates of participation                           | 94.0            | -             | 94.0            | 93.9              | -             | 93.9            |
| Compensated absences                                    | 1.4             | -             | 1.4             | 1.4               | -             | 1.4             |
| Capitalized lease obligations                           | 13.5            | -             | 13.5            | 14.1              | -             | 14.1            |
| PARS supplementary retirement plan                      | 0.9             | -             | 0.9             | 1.8               | -             | 1.8             |
| <b>Totals</b>                                           | <b>\$ 213.7</b> | <b>\$ -</b>   | <b>\$ 213.7</b> | <b>\$ 218.0</b>   | <b>\$ -</b>   | <b>\$ 218.0</b> |

Debt decreases occurred primarily as follows:

- Pay down of the General Obligation Bonds
- Pay down of PARS supplementary retirement plan, year end 2003. This plan will be paid off in Fiscal year 2007/08

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

In considering the District Budget for the 2007/08 year, the governing board and management used the following assumptions:

**Revenue**

- Cost of Living Adjustment (COLA) of 4.53% (an increase in Revenue Limit per ADA of \$252) with no deficit factor applied
- Decline in Average Daily Attendance projected at 376 for 07/08
- Revenue limit calculation will be based on 2006/07 ADA due to declining enrollment in 2007/08
- State Revenue Sources
  - COLA and growth for Special Education & most Categorical Programs

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2007

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- Class Size Reduction
  - Grades 1-2: \$1,071 per enrolled student
  - Kindergarten: \$535 per enrolled student
  
- State Lottery: \$137 per ADA
  - \$118 per ADA Unrestricted
  - \$19 per ADA for Proposition 20 (instructional materials, textbooks, etc.)
  
- Deferred Maintenance 100% of ½ percent of 1% level
  
- Educational Pool Interest Earned at a rate of 5.0%

### Expenditures

#### Certificated Salaries

- Step and column movements budgeted for certificated employees

#### Classified Salaries

- Step and column movements budgeted for classified employees

#### Estimated Employee Benefits

- Health and Welfare premium for active employees: \$10,651
- Rates:
  - State Teachers' Retirement System (STRS): 8.25%
  - Public Employees Retirement System (PERS): 9.124%
  - PERS Reduction (recapture by State of PERS expense savings): 3.896%
  - Social Security (OASDI): 6.20%
  - Medicare: 1.45%
  - Unemployment Insurance: .05%
  - Workers' Compensation (contribution to Self-Insurance Fund): 1.38%

#### 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: \$1,200,000

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2007**

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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, 2007

| Assets                                          | Governmental<br>Activities | Business-Type<br>Activities | Total                 |
|-------------------------------------------------|----------------------------|-----------------------------|-----------------------|
| Deposits and investments                        | \$ 76,775,256              | \$ 5,013,052                | \$ 81,788,308         |
| Receivables                                     | 15,791,403                 | 792,958                     | 16,584,361            |
| Internal balances                               | 451,572                    | (451,572)                   | -                     |
| Prepaid expenses                                | 2,944,488                  | -                           | 2,944,488             |
| Stores inventories                              | 322,510                    | 211,329                     | 533,839               |
| Capital assets                                  |                            |                             |                       |
| Land and construction in process                | 187,461,938                | 19,523                      | 187,481,461           |
| Other capital assets                            | 220,669,280                | 3,175,593                   | 223,844,873           |
| Less: Accumulated depreciation                  | (65,845,129)               | (1,194,300)                 | (67,039,429)          |
| Total capital assets                            | 342,286,089                | 2,000,816                   | 344,286,905           |
| <b>TOTAL ASSETS</b>                             | <b>438,571,318</b>         | <b>7,566,583</b>            | <b>446,137,901</b>    |
| <b>Liabilities</b>                              |                            |                             |                       |
| Accounts payable                                | 17,873,882                 | 702,315                     | 18,576,197            |
| Accrued interest                                | 1,718,833                  | -                           | 1,718,833             |
| Deferred revenue                                | 327,675                    | -                           | 327,675               |
| Claims liability                                | 4,612,170                  | -                           | 4,612,170             |
| Deferred amount on refunding                    | 1,043,935                  | -                           | 1,043,935             |
| Long-term liabilities                           |                            |                             |                       |
| Current portion of long-term obligations        | 3,759,494                  | -                           | 3,759,494             |
| Noncurrent portion of long-term obligations     | 209,954,524                | -                           | 209,954,524           |
| Total long-term liabilities                     | 213,714,018                | -                           | 213,714,018           |
| <b>TOTAL LIABILITIES</b>                        | <b>239,290,513</b>         | <b>702,315</b>              | <b>239,992,828</b>    |
| <b>Net Assets</b>                               |                            |                             |                       |
| Invested in capital assets, net of related debt | 144,631,689                | 2,000,816                   | 146,632,505           |
| Restricted for:                                 |                            |                             |                       |
| Debt service                                    | 11,269,277                 | -                           | 11,269,277            |
| Capital projects                                | 12,948,384                 | -                           | 12,948,384            |
| Educational programs                            | 10,109,332                 | -                           | 10,109,332            |
| Other activities                                | 67,742                     | -                           | 67,742                |
| Unrestricted                                    | 20,254,381                 | 4,863,452                   | 25,117,833            |
| <b>TOTAL NET ASSETS</b>                         | <b>\$ 199,280,805</b>      | <b>\$ 6,864,268</b>         | <b>\$ 206,145,073</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, 2007

| Functions/Programs                           | Expenses             | Program Revenues               |                                    |                                  |
|----------------------------------------------|----------------------|--------------------------------|------------------------------------|----------------------------------|
|                                              |                      | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Governmental Activities:</b>              |                      |                                |                                    |                                  |
| Instruction                                  | \$138,849,485        | \$ 483,403                     | \$ 31,943,199                      | \$ 196,569                       |
| Instruction-related activities:              |                      |                                |                                    |                                  |
| Supervision of instruction                   | 7,719,135            | 677,155                        | 5,611,903                          | -                                |
| Instructional library, media, and technology | 932,367              | -                              | 263,398                            | -                                |
| School site administration                   | 13,613,626           | 3,091                          | 729,097                            | -                                |
| Pupil services:                              |                      |                                |                                    |                                  |
| Home-to-school transportation                | 5,364,429            | 268,871                        | 1,789,590                          | -                                |
| Food services                                | 317                  | -                              | -                                  | -                                |
| All other pupil services                     | 7,572,465            | 66,766                         | 3,158,967                          | -                                |
| General administration:                      |                      |                                |                                    |                                  |
| Data processing                              | 3,382,980            | -                              | 10,436                             | -                                |
| All other general administration             | 5,450,919            | 111,537                        | 912,830                            | -                                |
| Plant services                               | 22,816,867           | 14,001                         | 612,345                            | -                                |
| Facility acquisition and construction        | 478,828              | -                              | -                                  | -                                |
| Ancillary services                           | 58,162               | 7,479                          | 4,981                              | -                                |
| Community services                           | 82,743               | -                              | 82,794                             | -                                |
| Enterprise services                          | 998,486              | -                              | -                                  | -                                |
| Interest on long-term obligations            | 10,421,983           | -                              | -                                  | -                                |
| Other outgo                                  | 3,242,007            | 209,748                        | 3,586,282                          | -                                |
| <b>Total Governmental Activities</b>         | <u>220,984,799</u>   | <u>1,842,051</u>               | <u>48,705,822</u>                  | <u>196,569</u>                   |
| <b>Business-Type Activities:</b>             |                      |                                |                                    |                                  |
| Food services                                | 6,830,240            | 2,919,631                      | 3,799,555                          | -                                |
| Child development                            | 5,222,275            | 5,551,062                      | 157,707                            | -                                |
| <b>Total Business-Type Activities</b>        | <u>12,052,515</u>    | <u>8,470,693</u>               | <u>3,957,262</u>                   | <u>-</u>                         |
| <b>Total School District</b>                 | <u>\$233,037,314</u> | <u>\$ 10,312,744</u>           | <u>\$ 52,663,084</u>               | <u>\$ 196,569</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 As Restated

Net Assets - Ending

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

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

| <b>Governmental<br/>Activities</b> | <b>Business-<br/>Type<br/>Activities</b> | <b>Total</b>    |
|------------------------------------|------------------------------------------|-----------------|
| \$(106,226,314)                    | \$ -                                     | \$(106,226,314) |
| (1,430,077)                        | -                                        | (1,430,077)     |
| (668,969)                          | -                                        | (668,969)       |
| (12,881,438)                       | -                                        | (12,881,438)    |
| (3,305,968)                        | -                                        | (3,305,968)     |
| (317)                              | -                                        | (317)           |
| (4,346,732)                        | -                                        | (4,346,732)     |
| (3,372,544)                        | -                                        | (3,372,544)     |
| (4,426,552)                        | -                                        | (4,426,552)     |
| (22,190,521)                       | -                                        | (22,190,521)    |
| (478,828)                          | -                                        | (478,828)       |
| (45,702)                           | -                                        | (45,702)        |
| 51                                 | -                                        | 51              |
| (998,486)                          | -                                        | (998,486)       |
| (10,421,983)                       | -                                        | (10,421,983)    |
| 554,023                            | -                                        | 554,023         |
| (170,240,357)                      | -                                        | (170,240,357)   |
| -                                  | (111,054)                                | (111,054)       |
| -                                  | 486,494                                  | 486,494         |
| -                                  | 375,440                                  | 375,440         |
| (170,240,357)                      | 375,440                                  | (169,864,917)   |
| 70,506,320                         | -                                        | 70,506,320      |
| 5,633,978                          | -                                        | 5,633,978       |
| 88,303,658                         | -                                        | 88,303,658      |
| 2,061,780                          | 224,917                                  | 2,286,697       |
| 29,033,714                         | 5,460                                    | 29,039,174      |
| 195,539,450                        | 230,377                                  | 195,769,827     |
| 25,299,093                         | 605,817                                  | 25,904,910      |
| 173,981,712                        | 6,258,451                                | 180,240,163     |
| \$ 199,280,805                     | \$ 6,864,268                             | \$ 206,145,073  |

**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2007**

|                                                | <u>General<br/>Fund</u> | <u>Measure Y<br/>Building<br/>Fund</u> | <u>Special Reserve<br/>Capital Outlay<br/>Fund</u> |
|------------------------------------------------|-------------------------|----------------------------------------|----------------------------------------------------|
| <b>ASSETS</b>                                  |                         |                                        |                                                    |
| Deposits and investments                       | \$ 18,792,822           | \$ 13,353,094                          | \$ 16,035,649                                      |
| Receivables                                    | 15,342,637              | 62,564                                 | 226,191                                            |
| Due from other funds                           | 782,797                 | -                                      | -                                                  |
| Stores inventories                             | 322,510                 | -                                      | -                                                  |
| <b>Total Assets</b>                            | <u>\$ 35,240,766</u>    | <u>\$ 13,415,658</u>                   | <u>\$ 16,261,840</u>                               |
| <b>LIABILITIES AND FUND BALANCES</b>           |                         |                                        |                                                    |
| <b>LIABILITIES</b>                             |                         |                                        |                                                    |
| Accounts payable                               | \$ 13,417,322           | \$ 2,527,736                           | \$ 748,585                                         |
| Due to other funds                             | 301,259                 | -                                      | 1,943                                              |
| Deferred revenue                               | 327,675                 | -                                      | -                                                  |
| <b>Total Liabilities</b>                       | <u>14,046,256</u>       | <u>2,527,736</u>                       | <u>750,528</u>                                     |
| <b>FUND BALANCES</b>                           |                         |                                        |                                                    |
| Reserved                                       | 10,379,221              | -                                      | -                                                  |
| Unreserved:                                    |                         |                                        |                                                    |
| Designated, reported in:                       |                         |                                        |                                                    |
| General Fund                                   | 10,815,289              | -                                      | -                                                  |
| Special revenue funds                          | -                       | -                                      | -                                                  |
| Capital projects funds                         | -                       | 10,887,922                             | 15,511,312                                         |
| Undesignated, reported in:                     |                         |                                        |                                                    |
| Debt service funds                             | -                       | -                                      | -                                                  |
| <b>Total Fund Balance</b>                      | <u>21,194,510</u>       | <u>10,887,922</u>                      | <u>15,511,312</u>                                  |
| <b>Total Liabilities and<br/>Fund Balances</b> | <u>\$ 35,240,766</u>    | <u>\$ 13,415,658</u>                   | <u>\$ 16,261,840</u>                               |

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

| <b>Debt Service<br/>Component Unit<br/>Fund</b> | <b>Non-Major<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|-------------------------------------------------|---------------------------------------------|-----------------------------------------|
| \$ 9,115,962                                    | \$ 13,710,484                               | \$ 71,008,011                           |
| -                                               | 140,476                                     | 15,771,868                              |
| -                                               | 2,209                                       | 785,006                                 |
| -                                               | -                                           | 322,510                                 |
| <u>\$ 9,115,962</u>                             | <u>\$ 13,853,169</u>                        | <u>\$ 87,887,395</u>                    |
| <br>                                            |                                             |                                         |
| \$ -                                            | \$ 1,120,146                                | \$ 17,813,789                           |
| -                                               | 21,537                                      | 324,739                                 |
| -                                               | -                                           | 327,675                                 |
| <u>-</u>                                        | <u>1,141,683</u>                            | <u>18,466,203</u>                       |
| <br>                                            |                                             |                                         |
| -                                               | 221,622                                     | 10,600,843                              |
| <br>                                            |                                             |                                         |
| -                                               | -                                           | 10,815,289                              |
| -                                               | 67,742                                      | 67,742                                  |
| -                                               | 8,549,974                                   | 34,949,208                              |
| <br>                                            |                                             |                                         |
| <u>9,115,962</u>                                | <u>3,872,148</u>                            | <u>12,988,110</u>                       |
| <u>9,115,962</u>                                | <u>12,711,486</u>                           | <u>69,421,192</u>                       |
| <br>                                            |                                             |                                         |
| <u>\$ 9,115,962</u>                             | <u>\$ 13,853,169</u>                        | <u>\$ 87,887,395</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, 2007**

|                                                                                                                                                                                                                                                                                               |                     |                              |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|------------------------------|
| <b>Total Fund Balance - Governmental Funds</b>                                                                                                                                                                                                                                                |                     | <b>\$ 69,421,192</b>         |
| <b>Amounts Reported for Governmental Activities in the<br/>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                                                                                                                                                                                                                                                   | \$ 408,131,218      |                              |
| Accumulated depreciation is the following                                                                                                                                                                                                                                                     | <u>(65,845,129)</u> | 342,286,089                  |
| 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.                                                                                                                                   |                     | 2,944,488                    |
| 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.                                                              |                     | (1,718,833)                  |
| 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.                                  |                     | 1,105,822                    |
| 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. |                     | (1,043,935)                  |
| 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                                                                                                                                                                                                                                                                      | (103,924,449)       |                              |
| Certificates of participation                                                                                                                                                                                                                                                                 | (93,993,741)        |                              |
| Capital lease obligations                                                                                                                                                                                                                                                                     | (13,463,091)        |                              |
| Compensated absences                                                                                                                                                                                                                                                                          | (1,445,089)         |                              |
| Other long-term payables                                                                                                                                                                                                                                                                      | <u>(887,648)</u>    | <u>(213,714,018)</u>         |
| <b>Total Net Assets - Governmental Activities</b>                                                                                                                                                                                                                                             |                     | <b>\$ <u>199,280,805</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, 2007**

|                                                              | <u>General<br/>Fund</u> | <u>Measure Y<br/>Building<br/>Fund</u> | <u>Special<br/>Reserve<br/>Capital<br/>Fund</u> | <u>Debt Service<br/>Component Unit<br/>Fund</u> |
|--------------------------------------------------------------|-------------------------|----------------------------------------|-------------------------------------------------|-------------------------------------------------|
| <b>REVENUES</b>                                              |                         |                                        |                                                 |                                                 |
| Revenue limit sources                                        | \$147,712,279           | \$ -                                   | \$ -                                            | \$ -                                            |
| Federal sources                                              | 9,657,689               | -                                      | -                                               | -                                               |
| Other State sources                                          | 48,132,346              | -                                      | -                                               | -                                               |
| Other local sources                                          | 7,035,675               | 1,140,988                              | 5,530,257                                       | 520,956                                         |
| <b>Total Revenues</b>                                        | <u>212,537,989</u>      | <u>1,140,988</u>                       | <u>5,530,257</u>                                | <u>520,956</u>                                  |
| <b>EXPENDITURES</b>                                          |                         |                                        |                                                 |                                                 |
| <b>Current</b>                                               |                         |                                        |                                                 |                                                 |
| Instruction                                                  | 133,857,746             | -                                      | -                                               | -                                               |
| Instruction-related activities:                              |                         |                                        |                                                 |                                                 |
| Supervision of instruction                                   | 7,717,412               | -                                      | -                                               | -                                               |
| Instructional library, media,<br>and technology              | 875,263                 | -                                      | -                                               | -                                               |
| School site administration                                   | 12,928,220              | -                                      | -                                               | -                                               |
| Pupil services:                                              |                         |                                        |                                                 |                                                 |
| Home-to-school transportation                                | 5,407,825               | -                                      | -                                               | -                                               |
| Food services                                                | 418                     | -                                      | -                                               | -                                               |
| All other pupil services                                     | 7,636,682               | -                                      | -                                               | -                                               |
| General administration:                                      |                         |                                        |                                                 |                                                 |
| Data processing                                              | 3,393,564               | -                                      | -                                               | -                                               |
| All other general administration                             | 6,294,166               | -                                      | -                                               | -                                               |
| Plant services                                               | 21,269,554              | -                                      | 8,711                                           | -                                               |
| Facility acquisition and construction                        | 566,490                 | 22,231,276                             | 60,489,072                                      | -                                               |
| Ancillary services                                           | 58,162                  | -                                      | -                                               | -                                               |
| Community services                                           | 82,794                  | -                                      | -                                               | -                                               |
| Other outgo                                                  | 3,214,801               | -                                      | -                                               | -                                               |
| Enterprise services                                          | 1,000,000               | -                                      | -                                               | -                                               |
| Debt service                                                 |                         |                                        |                                                 |                                                 |
| Principal                                                    | 309,285                 | -                                      | -                                               | 210,000                                         |
| Interest and other                                           | 40,426                  | -                                      | -                                               | 4,872,146                                       |
| <b>Total Expenditures</b>                                    | <u>204,652,808</u>      | <u>22,231,276</u>                      | <u>60,497,783</u>                               | <u>5,082,146</u>                                |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <u>7,885,181</u>        | <u>(21,090,288)</u>                    | <u>(54,967,526)</u>                             | <u>(4,561,190)</u>                              |
| <b>Other Financing Sources (Uses):</b>                       |                         |                                        |                                                 |                                                 |
| Transfers in                                                 | 1,771,681               | 3,184,543                              | 3,751,335                                       | 3,930,884                                       |
| Other sources                                                | 462,545                 | -                                      | -                                               | -                                               |
| Transfers out                                                | (1,659,704)             | (500,145)                              | (5,040,270)                                     | (3,439,646)                                     |
| <b>Net Financing Sources (Uses)</b>                          | <u>574,522</u>          | <u>2,684,398</u>                       | <u>(1,288,935)</u>                              | <u>491,238</u>                                  |
| <b>NET CHANGE IN FUND BALANCES</b>                           | 8,459,703               | (18,405,890)                           | (56,256,461)                                    | (4,069,952)                                     |
| <b>Fund Balance - Beginning As Restated</b>                  | 12,734,807              | 29,293,812                             | 71,767,773                                      | 13,185,914                                      |
| <b>Fund Balance - Ending</b>                                 | <u>\$ 21,194,510</u>    | <u>\$ 10,887,922</u>                   | <u>\$ 15,511,312</u>                            | <u>\$ 9,115,962</u>                             |

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



| <b>Non-Major<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---------------------------------------------|-----------------------------------------|
| \$ 600,538                                  | \$ 148,312,817                          |
| 60,413                                      | 9,718,102                               |
| 1,123,470                                   | 49,255,816                              |
| 16,220,186                                  | 30,448,062                              |
| <u>18,004,607</u>                           | <u>237,734,797</u>                      |
| 299,466                                     | 134,157,212                             |
| -                                           | 7,717,412                               |
| -                                           | 875,263                                 |
| 262,634                                     | 13,190,854                              |
| -                                           | 5,407,825                               |
| -                                           | 418                                     |
| -                                           | 7,636,682                               |
| -                                           | 3,393,564                               |
| 17,817                                      | 6,311,983                               |
| 1,378,427                                   | 22,656,692                              |
| 8,018,680                                   | 91,305,518                              |
| -                                           | 58,162                                  |
| -                                           | 82,794                                  |
| 27,206                                      | 3,242,007                               |
| -                                           | 1,000,000                               |
| 5,665,780                                   | 6,185,065                               |
| 3,401,907                                   | 8,314,479                               |
| <u>19,071,917</u>                           | <u>311,535,930</u>                      |
| <u>(1,067,310)</u>                          | <u>(73,801,133)</u>                     |
| 2,718,864                                   | 15,357,307                              |
| -                                           | 462,545                                 |
| <u>(4,215,361)</u>                          | <u>(14,855,126)</u>                     |
| <u>(1,496,497)</u>                          | <u>964,726</u>                          |
| <u>(2,563,807)</u>                          | <u>(72,836,407)</u>                     |
| 15,275,293                                  | 142,257,599                             |
| <u>\$ 12,711,486</u>                        | <u>\$ 69,421,192</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, 2007**

---

**Total Net Change in Fund Balances - Governmental Funds** **\$ (72,836,407)**  
**Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:**

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

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

|                      |                    |            |
|----------------------|--------------------|------------|
| Capital outlays      | \$ 90,823,063      |            |
| Depreciation expense | <u>(6,226,409)</u> | 84,596,654 |

Donated capital assets: In governmental funds, donated capital assets are not reported because they do not affect current financial resources. In the government-wide statements, donated capital assets are reported as revenue and as increases to capital assets, at their fair market value on the date of donation. The fair market value of capital assets donated was: 8,400,000

Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net assets. (462,545)

In the statement of activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, there are no special termination benefits. Vacation used was more than the amounts earned by \$5,730. 5,370

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):

|                              |               |         |
|------------------------------|---------------|---------|
| Premium on issuance          | 517,141       |         |
| Cost of issuance             | (149,990)     |         |
| Deferred amount on refunding | <u>86,995</u> | 454,146 |

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, 2007**

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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      | \$ 4,887,187 |
| Certificates of participation | 210,000      |
| Capital lease obligations     | 1,087,878    |
| 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 \$278,247, and second, \$2,839,897, of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

(2,561,650)

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.

630,810

**Change in Net Assets of Governmental Activities**

\$ 25,299,093

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, 2007

|                                  | Business-Type Activities<br>Enterprise Funds |                    |                    | Governmental<br>Activities -<br>Internal<br>Service Fund |
|----------------------------------|----------------------------------------------|--------------------|--------------------|----------------------------------------------------------|
|                                  | Child<br>Care                                | Cafeteria          | Total              |                                                          |
| <b>ASSETS</b>                    |                                              |                    |                    |                                                          |
| <b>Current Assets</b>            |                                              |                    |                    |                                                          |
| Deposits and investments         | \$3,822,829                                  | \$1,190,223        | \$5,013,052        | \$ 5,767,245                                             |
| Receivables                      | 118,798                                      | 674,160            | 792,958            | 19,535                                                   |
| Due from other funds             | 5,763                                        | 140                | 5,903              | 387,937                                                  |
| Stores inventories               | -                                            | 211,329            | 211,329            | -                                                        |
| <b>Total Current Assets</b>      | <b>3,947,390</b>                             | <b>2,075,852</b>   | <b>6,023,242</b>   | <b>6,174,717</b>                                         |
| <b>Noncurrent Assets</b>         |                                              |                    |                    |                                                          |
| Capital assets                   | 2,553,761                                    | 641,355            | 3,195,116          | -                                                        |
| Less: accumulated depreciation   | (661,866)                                    | (532,434)          | (1,194,300)        | -                                                        |
| <b>Total Noncurrent Assets</b>   | <b>1,891,895</b>                             | <b>108,921</b>     | <b>2,000,816</b>   | <b>-</b>                                                 |
| <b>Total Assets</b>              | <b>5,839,285</b>                             | <b>2,184,773</b>   | <b>8,024,058</b>   | <b>6,174,717</b>                                         |
| <b>LIABILITIES</b>               |                                              |                    |                    |                                                          |
| <b>Current Liabilities</b>       |                                              |                    |                    |                                                          |
| Accounts payable                 | 389,768                                      | 312,547            | 702,315            | 60,093                                                   |
| Due to other funds               | 207,044                                      | 250,431            | 457,475            | 396,632                                                  |
| Claims liability                 | -                                            | -                  | -                  | 4,612,170                                                |
| <b>Total Current Liabilities</b> | <b>596,812</b>                               | <b>562,978</b>     | <b>1,159,790</b>   | <b>5,068,895</b>                                         |
| <b>NET ASSETS</b>                |                                              |                    |                    |                                                          |
| Invested in capital assets       | 1,891,895                                    | 108,921            | 2,000,816          | -                                                        |
| Unrestricted                     | 3,350,578                                    | 1,512,874          | 4,863,452          | 1,105,822                                                |
| <b>Total Net Assets</b>          | <b>\$5,242,473</b>                           | <b>\$1,621,795</b> | <b>\$6,864,268</b> | <b>\$ 1,105,822</b>                                      |

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, 2007**

|                                                                     | Business-Type Activities |                     |                     | Governmental<br>Activities -<br>Internal<br>Service Fund |
|---------------------------------------------------------------------|--------------------------|---------------------|---------------------|----------------------------------------------------------|
|                                                                     | Enterprise Funds         |                     |                     |                                                          |
|                                                                     | Child<br>Care            | Cafeteria           | Total               |                                                          |
| <b>OPERATING REVENUES</b>                                           |                          |                     |                     |                                                          |
| Charges for services                                                | \$ 5,551,062             | \$ 2,919,631        | \$ 8,470,693        | \$ -                                                     |
| Charges to other funds and miscellaneous revenues                   | -                        | -                   | -                   | 22,927,537                                               |
| <b>Total Operating Revenues</b>                                     | <u>5,551,062</u>         | <u>2,919,631</u>    | <u>8,470,693</u>    | <u>22,927,537</u>                                        |
| <b>OPERATING EXPENSES</b>                                           |                          |                     |                     |                                                          |
| Payroll costs                                                       | 4,409,942                | 2,970,932           | 7,380,874           | 257,242                                                  |
| Professional and contract services                                  | 187,087                  | 24,258              | 211,345             | 21,675,506                                               |
| Supplies and materials                                              | 261,706                  | 3,521,782           | 3,783,488           | 10,893                                                   |
| Facility rental                                                     | 15,817                   | 81,185              | 97,002              | -                                                        |
| Other operating cost                                                | 253,622                  | 203,145             | 456,767             | -                                                        |
| Depreciation                                                        | 94,100                   | 28,938              | 123,038             | -                                                        |
| <b>Total Operating Expenses</b>                                     | <u>5,222,274</u>         | <u>6,830,240</u>    | <u>12,052,514</u>   | <u>21,943,641</u>                                        |
| <b>Operating Income/(Loss)</b>                                      | <u>328,788</u>           | <u>(3,910,609)</u>  | <u>(3,581,821)</u>  | <u>983,896</u>                                           |
| <b>NONOPERATING REVENUES</b>                                        |                          |                     |                     |                                                          |
| Interest income                                                     | 171,826                  | 53,090              | 224,916             | 149,095                                                  |
| Grants                                                              | 163,167                  | 3,799,555           | 3,962,722           | -                                                        |
| <b>Total Nonoperating Revenues</b>                                  | <u>334,993</u>           | <u>3,852,645</u>    | <u>4,187,638</u>    | <u>149,095</u>                                           |
| <b>Income (Loss) Before Capital<br/>Contributions and Transfers</b> | <u>663,781</u>           | <u>(57,964)</u>     | <u>605,817</u>      | <u>1,132,991</u>                                         |
| Transfers out                                                       | -                        | -                   | -                   | (502,181)                                                |
| <b>Change in Net Assets</b>                                         | <u>663,781</u>           | <u>(57,964)</u>     | <u>605,817</u>      | <u>630,810</u>                                           |
| <b>Total Net Assets - Beginning</b>                                 | <u>4,578,692</u>         | <u>1,679,759</u>    | <u>6,258,451</u>    | <u>475,012</u>                                           |
| <b>Total Net Assets - Ending</b>                                    | <u>\$ 5,242,473</u>      | <u>\$ 1,621,795</u> | <u>\$ 6,864,268</u> | <u>\$ 1,105,822</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, 2007

|                                                                                                               | Business-Type Activities<br>Enterprise Funds |                |                | Governmental<br>Activities -<br>Internal<br>Service Funds |
|---------------------------------------------------------------------------------------------------------------|----------------------------------------------|----------------|----------------|-----------------------------------------------------------|
|                                                                                                               | Child<br>Care                                | Cafeteria      | Total          |                                                           |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                                   |                                              |                |                |                                                           |
| Cash received from user charges                                                                               | \$ 5,476,627                                 | \$ 3,221,944   | \$ 8,698,571   | \$ 22,922,723                                             |
| Cash received from assessments made to other funds                                                            | -                                            | -              | -              | 766,233                                                   |
| Cash payments to employees for services                                                                       | (4,528,762)                                  | (3,080,404)    | (7,609,166)    | (257,242)                                                 |
| Cash payments for insurance claims                                                                            | -                                            | -              | -              | (974,409)                                                 |
| Cash payments to suppliers for goods and services                                                             | (448,793)                                    | (3,584,353)    | (4,033,146)    | (11,317)                                                  |
| Cash payments for facility use                                                                                | (15,817)                                     | (81,185)       | (97,002)       | -                                                         |
| Cash payments for other operating expenses                                                                    | (253,622)                                    | (203,145)      | (456,767)      | (21,294,109)                                              |
| Net Cash Provided (Used) for<br>Operating Activities                                                          | 229,633                                      | (3,727,143)    | (3,497,510)    | 1,151,879                                                 |
| <b>CASH FLOWS FROM NONCAPITAL<br/>FINANCING ACTIVITIES</b>                                                    |                                              |                |                |                                                           |
| Nonoperating grants received                                                                                  | 163,167                                      | 3,799,555      | 3,962,722      | -                                                         |
| Transfers to other funds                                                                                      | -                                            | -              | -              | (502,181)                                                 |
| Net Cash Provided (Used) from<br>Noncapital Financing Activities                                              | 163,167                                      | 3,799,555      | 3,962,722      | (502,181)                                                 |
| <b>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING ACTIVITIES</b>                                           |                                              |                |                |                                                           |
| Acquisition of capital assets                                                                                 | (9,595)                                      | (16,475)       | (26,070)       | -                                                         |
| Net Cash Used for Capital and<br>Related Financing Activities                                                 | (9,595)                                      | (16,475)       | (26,070)       | -                                                         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                                   |                                              |                |                |                                                           |
| Interest on investments                                                                                       | 171,826                                      | 53,090         | 224,916        | 149,095                                                   |
| Net Cash Provided from<br>Investing Activities                                                                | 171,826                                      | 53,090         | 224,916        | 149,095                                                   |
| Net increase in cash and cash equivalents                                                                     | 555,031                                      | 109,027        | 664,058        | 798,793                                                   |
| Cash and cash equivalents - Beginning                                                                         | 3,267,798                                    | 1,081,196      | 4,348,994      | 4,968,452                                                 |
| Cash and cash equivalents - Ending                                                                            | \$ 3,822,829                                 | \$ 1,190,223   | \$ 5,013,052   | \$ 5,767,245                                              |
| <b>RECONCILIATION OF OPERATING INCOME<br/>(LOSS) TO NET CASH PROVIDED (USED) BY<br/>OPERATING ACTIVITIES:</b> |                                              |                |                |                                                           |
| Operating income (loss)                                                                                       | \$ 328,788                                   | \$ (3,910,609) | \$ (3,581,821) | \$ 983,896                                                |
| Adjustments to reconcile operating income (loss)<br>to net cash used by operating activities:                 |                                              |                |                |                                                           |
| Depreciation                                                                                                  | 94,100                                       | 28,938         | 123,038        | -                                                         |
| Changes in assets and liabilities:                                                                            |                                              |                |                |                                                           |
| Receivables                                                                                                   | (68,672)                                     | 302,249        | 233,577        | (4,814)                                                   |
| Due from other fund                                                                                           | (5,763)                                      | 64             | (5,699)        | 766,233                                                   |
| Inventories                                                                                                   | -                                            | (38,313)       | (38,313)       | -                                                         |
| Accrued liabilities                                                                                           | (32,042)                                     | 2,325          | (29,717)       | (539,314)                                                 |
| Due to other fund                                                                                             | (86,778)                                     | (111,797)      | (198,575)      | (54,122)                                                  |
| <b>NET CASH PROVIDED (USED) BY OPERATING<br/>ACTIVITIES</b>                                                   | \$ 229,633                                   | \$ (3,727,143) | \$ (3,497,510) | \$ 1,151,879                                              |

### NONCASH, NONCAPITAL FINANCING ACTIVITIES

During the year, the District received \$401,500 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, 2007**

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|                          | <u>Agency<br/>Funds</u> |
|--------------------------|-------------------------|
| <b>ASSETS</b>            |                         |
| Deposits and investments | \$ 1,984,275            |
| <b>Total Assets</b>      | <u>\$ 1,984,275</u>     |
| <br><b>LIABILITIES</b>   |                         |
| Accounts payable         | \$ 4,571                |
| Due to student groups    | 828,331                 |
| Due to bondholders       | 1,151,373               |
| <b>Total Liabilities</b> | <u>\$ 1,984,275</u>     |

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



# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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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 twenty-two 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 Placentia-Yorba Linda Unified School District and the Community Facilities District (the CFD) No. 1 and the Certificates of Participation (the COP) issued through the California School Boards Association Finance 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 the 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. The financial statements present the COP's financial activity within the Component Unit Debt Service and Capital Project Funds. The CFD's financial activity is presented in the Component Unit, Capital Project Funds, and the Agency Funds. All debt instruments issued by the COP are included as long-term liabilities in the government-wide financial statements. Debt instruments issued by the CFD do not represent liabilities of the District or component units and are not included in the District-wide Financial Statements.



# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

---

### 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.

### 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.

#### 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.

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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**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.

**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 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.

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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**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 fiduciary fund category is split into two classifications: private-purpose trust funds and agency funds.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District does not have any trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB) and receipt of special taxes and assessments used to pay principal and interest on non-obligatory bonds of the financial reporting entity.

### **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.

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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**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.

### 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. 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.

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.

### 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.

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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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.

### **Investments**

Investments held at June 30, 2007, 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.

### **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 Inventories**

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.



# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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

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

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

### **Interfund Balances**

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

### **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.

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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### **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.

### **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 \$34,394,735 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. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **Interfund Activity**

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

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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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. Interfund transfers are eliminated in the governmental and business-type activities columns of the statement of activities, except for the net residual amounts transferred between governmental and business-type activities.

### **Estimates**

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

### **Budgetary Data**

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

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.



# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

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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.

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2007, are classified in the accompanying financial statements as follows:

|                                |                      |
|--------------------------------|----------------------|
| Governmental activities        | \$ 76,775,256        |
| Business-type activities       | 5,013,052            |
| Fiduciary funds                | <u>1,984,275</u>     |
| Total Deposits and Investments | <u>\$ 83,772,583</u> |

Deposits and investments as of June 30, 2007, consist of the following:

|                                |                      |
|--------------------------------|----------------------|
| Cash on hand and in banks      | \$ 902,902           |
| Cash in revolving              | 169,000              |
| Investments                    | <u>82,700,681</u>    |
| Total Deposits and Investments | <u>\$ 83,772,583</u> |

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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### 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<br>Investment Type           | Maximum<br>Remaining<br>Maturity | Maximum<br>Percentage<br>of Portfolio | Maximum<br>Investment<br>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, 2007**

**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                               | \$ 84,630            | 7 days                                 |
| First American Treasury Obligations Money Market Mutual Funds | 1,148,656            | 1 day                                  |
| Federal Home Loan Banks                                       | 559,651              | 05/16/08                               |
| Federal National Mortgage Association                         | 199,250              | 04/18/11                               |
| MBIA, Inc. Investment Agreement                               | 8,172,190            | 10/02/34                               |
| Morgan Stanley Investment Agreement                           | 5,328,788            | 02/01/28                               |
| County Pool                                                   | 67,247,398           | 220 days                               |
| Total                                                         | <u>\$ 82,740,563</u> |                                        |

**Credit Risk**

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

| Investment Type                                               | Fair Value           | Rating as of Year End |
|---------------------------------------------------------------|----------------------|-----------------------|
| U.S. Treasury Money Market Fund                               | \$ 84,630            | *                     |
| First American Treasury Obligations Money Market Mutual Funds | 1,148,656            | Aaa                   |
| Federal Home Loan Banks                                       | 559,651              | Aaa                   |
| Federal National Mortgage Association                         | 199,250              | Aaa                   |
| MBIA, Inc. Investment Agreement                               | 8,172,190            | Aa2                   |
| Morgan Stanley Investment Agreement                           | 5,328,788            | Aaa                   |
| County Pool                                                   | 67,247,398           | Aaa                   |
| Total                                                         | <u>\$ 82,740,563</u> |                       |

\* Not required to be rated.

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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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, 2007, the District's bank balance of \$1,496,325 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 \$758,901 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, 2007**

**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2007, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

|                               | General<br>Fund      | Measure Y<br>Building<br>Fund | Special Reserve<br>Capital Outlay<br>Fund | Non-Major<br>Governmental<br>Funds |
|-------------------------------|----------------------|-------------------------------|-------------------------------------------|------------------------------------|
| Federal Government            |                      |                               |                                           |                                    |
| Categorical aid               | \$ 2,253,692         | \$ -                          | \$ -                                      | \$ 27,980                          |
| State Government              |                      |                               |                                           |                                    |
| Apportionment                 | 7,163,657            | -                             | -                                         | 51,079                             |
| Categorical aid               | 2,926,546            | -                             | -                                         | -                                  |
| Lottery                       | 1,763,462            | -                             | -                                         | -                                  |
| Local Government              |                      |                               |                                           |                                    |
| Interest                      | 148,063              | 62,564                        | 34,532                                    | 58,333                             |
| City of Placentia             | -                    | -                             | 187,539                                   | -                                  |
| Regional Occupational Program | 187,567              | -                             | -                                         | -                                  |
| Other Local Sources           | 899,650              | -                             | 4,120                                     | 3,084                              |
| Total                         | <u>\$ 15,342,637</u> | <u>\$ 62,564</u>              | <u>\$ 226,191</u>                         | <u>\$ 140,476</u>                  |

|                               | Internal<br>Service<br>Fund | Total<br>Governmental<br>Activities | Total<br>Enterprise<br>Funds |
|-------------------------------|-----------------------------|-------------------------------------|------------------------------|
| Federal Government            |                             |                                     |                              |
| Categorical aid               | \$ -                        | \$ 2,281,672                        | \$ 550,996                   |
| State Government              |                             |                                     |                              |
| Apportionment                 | -                           | 7,214,736                           | -                            |
| Categorical aid               | -                           | 2,926,546                           | 33,886                       |
| Lottery                       | -                           | 1,763,462                           | -                            |
| Local Government              |                             |                                     |                              |
| Interest                      | 14,781                      | 318,273                             | 21,093                       |
| City of Placentia             | -                           | 187,539                             | -                            |
| Regional Occupational Program | -                           | 187,567                             | -                            |
| Other Local Sources           | 4,754                       | 911,608                             | 186,983                      |
| Total                         | <u>\$ 19,535</u>            | <u>\$ 15,791,403</u>                | <u>\$ 792,958</u>            |

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

|                                              | Balance<br>July 1, 2006 | Additions             | Deductions          | Balance<br>June 30, 2007 |
|----------------------------------------------|-------------------------|-----------------------|---------------------|--------------------------|
| <b>Governmental Activities</b>               |                         |                       |                     |                          |
| Capital Assets Not Being Depreciated         |                         |                       |                     |                          |
| Land                                         | \$ 35,500,067           | \$ 75,413,612         | \$ -                | \$110,913,679            |
| Construction in process                      | 76,295,214              | 21,219,864            | 20,966,819          | 76,548,259               |
| Total Capital Assets Not Being Depreciated   | <u>111,795,281</u>      | <u>96,633,476</u>     | <u>20,966,819</u>   | <u>187,461,938</u>       |
| Capital Assets Being Depreciated             |                         |                       |                     |                          |
| Buildings and improvements                   | 182,194,123             | 23,008,965            | -                   | 205,203,088              |
| Furniture and equipment                      | 14,948,051              | 547,441               | 29,300              | 15,466,192               |
| Total Capital Assets Being Depreciated       | <u>197,142,174</u>      | <u>23,556,406</u>     | <u>29,300</u>       | <u>220,669,280</u>       |
| Less Accumulated Depreciation                |                         |                       |                     |                          |
| Buildings and improvements                   | 48,961,444              | 5,086,943             | -                   | 54,048,387               |
| Furniture and equipment                      | 10,686,576              | 1,139,466             | 29,300              | 11,796,742               |
| Total Accumulated Depreciation               | <u>59,648,020</u>       | <u>6,226,409</u>      | <u>29,300</u>       | <u>65,845,129</u>        |
| Governmental Activities Capital Assets, Net  | <u>\$249,289,435</u>    | <u>\$ 113,963,473</u> | <u>\$20,966,819</u> | <u>\$342,286,089</u>     |
| <b>Business-Type Activities</b>              |                         |                       |                     |                          |
| Capital Assets Not Being Depreciated         |                         |                       |                     |                          |
| Construction in process                      | \$ 36,573               | \$ 4,999              | \$ 22,049           | \$ 19,523                |
| Total Capital Assets Not Being Depreciated   | <u>36,573</u>           | <u>4,999</u>          | <u>22,049</u>       | <u>19,523</u>            |
| Capital Assets Being Depreciated             |                         |                       |                     |                          |
| Buildings and improvements                   | 2,519,598               | 26,645                | -                   | 2,546,243                |
| Furniture and equipment                      | 612,875                 | 16,475                | -                   | 629,350                  |
| Total Capital Assets Being Depreciated       | <u>3,132,473</u>        | <u>43,120</u>         | <u>-</u>            | <u>3,175,593</u>         |
| Less Accumulated Depreciation                |                         |                       |                     |                          |
| Buildings and improvements                   | 565,740                 | 94,952                | -                   | 660,692                  |
| Furniture and equipment                      | 505,522                 | 28,086                | -                   | 533,608                  |
| Total Accumulated Depreciation               | <u>1,071,262</u>        | <u>123,038</u>        | <u>-</u>            | <u>1,194,300</u>         |
| Business-Type Activities Capital Assets, Net | <u>\$ 2,097,784</u>     | <u>\$ (74,919)</u>    | <u>\$ 22,049</u>    | <u>\$ 2,000,816</u>      |



**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2007**

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

**Governmental Activities:**

|                                                     |                  |
|-----------------------------------------------------|------------------|
| Instruction                                         | \$ 5,292,448     |
| Supervision of instruction                          | 62,264           |
| Instructional library, media, and technology        | 62,264           |
| School site administration                          | 498,113          |
| All other general administration                    | 62,264           |
| Plant services                                      | 249,056          |
| Total Depreciation Expenses Governmental Activities | <u>6,226,409</u> |

**Business-Type Activities:**

|                                                      |                     |
|------------------------------------------------------|---------------------|
| Child development                                    | 94,100              |
| Food service                                         | 28,938              |
| Total Depreciation Expenses Business-Type Activities | <u>123,038</u>      |
| Total Depreciation Expenses All Activities           | <u>\$ 6,349,447</u> |

**NOTE 5 - INTERFUND TRANSACTIONS**

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

Interfund receivable and payable balances at June 30, 2007, 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      | Special Reserve<br>Capital Outlay<br>Fund | Non-Major<br>Governmental<br>Funds | Enterprise<br>Funds | Internal<br>Service<br>Fund |                     |
| General Fund                    | \$ -              | \$ 345                                    | \$ 18,342                          | \$ 367,478          | \$ 396,632                  | \$ 782,797          |
| Non-Major Governmental<br>Funds | 2,209             | -                                         | -                                  | -                   | -                           | 2,209               |
| Enterprise Funds                | 5,801             | -                                         | -                                  | 102                 | -                           | 5,903               |
| Internal Service Fund           | 293,249           | 1,598                                     | 3,195                              | 89,895              | -                           | 387,937             |
| Total                           | <u>\$ 301,259</u> | <u>\$ 1,943</u>                           | <u>\$ 21,537</u>                   | <u>\$ 457,475</u>   | <u>\$ 396,632</u>           | <u>\$ 1,178,846</u> |

A balance of \$396,540 due to the Internal Service Fund from the General Fund resulted from health and welfare benefits paid for the end of year payroll.

A balance of \$157,720 due to the General Fund from the Child Development Enterprise Fund resulted from payroll and support cost reimbursements.

A balance of \$194,301 due to the General Fund from the Cafeteria Enterprise Fund resulted from payroll and support cost reimbursements.

A balance of \$237,798 due to the General Fund from the Internal Service Fund resulted from health and welfare benefits paid for the end of year payroll.

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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

### Operating Transfers

Interfund transfers for the year ended June 30, 2007, consisted of the following:

| Transfer To                      | Transfer From      |                         |                              |                             |                              |                       | Total               |
|----------------------------------|--------------------|-------------------------|------------------------------|-----------------------------|------------------------------|-----------------------|---------------------|
|                                  | General Fund       | Measure Y Building Fund | Special Reserve Capital Fund | Debt Service Component Unit | Non-Major Governmental Funds | Internal Service Fund |                     |
| General Fund                     | \$ -               | \$ -                    | \$ 1,269,500                 | \$ -                        | \$ -                         | \$ 502,181            | \$ 1,771,681        |
| Building Fund                    | -                  | -                       | -                            | 3,184,543                   | -                            | -                     | 3,184,543           |
| Special Reserve Capital Fund     | -                  | -                       | -                            | 255,103                     | 3,496,232                    | -                     | 3,751,335           |
| Debt Service Component Unit Fund | 362,160            | -                       | 3,549,595                    | -                           | 19,129                       | -                     | 3,930,884           |
| Non-Major Governmental Funds     | 1,297,544          | 500,145                 | 221,175                      | -                           | 700,000                      | -                     | 2,718,864           |
| <b>Total</b>                     | <b>\$1,659,704</b> | <b>\$ 500,145</b>       | <b>\$ 5,040,270</b>          | <b>\$ 3,439,646</b>         | <b>\$ 4,215,361</b>          | <b>\$ 502,181</b>     | <b>\$15,357,307</b> |

|                                                                                                                                     |                     |
|-------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| The General Fund transferred to the Deferred Maintenance Fund for State match.                                                      | \$ 1,297,544        |
| The General Fund transferred to the Debt Service Fund for debt payment.                                                             | 362,160             |
| The Deferred Maintenance Fund transferred to the Energy Conservation Debt Service Fund for debt payments.                           | 700,000             |
| The Building Fund transferred to the Energy Conservation Debt Service Fund for debt payments.                                       | 500,145             |
| The Special Reserve Capital Fund transferred to the General Fund for construction costs (maintenance support Yorba Linda students). | 1,269,500           |
| The Special Reserve Capital Fund transferred to the Deferred Maintenance Fund for reimbursement of costs.                           | 27,500              |
| The Special Reserve Capital Fund transferred to the Debt Service Fund for debt payments.                                            | 3,549,595           |
| The Special Reserve Capital Fund transferred to the Energy Conservation Debt Service Fund for debt payments.                        | 193,675             |
| The Capital Outlay Component Unit Fund transferred to the Debt Service Fund for debt service payments.                              | 19,129              |
| The Capital Outlay Component Unit Fund transferred to the Special Reserve Capital Fund for project costs.                           | 3,496,232           |
| The Debt Service Component Unit Fund transferred to the Building Fund for reimbursement of project costs.                           | 3,184,543           |
| The Debt Service Component Unit Fund transferred to the Special Reserve Capital Fund for reimbursement of project costs.            | 255,103             |
| The Internal Service Fund transferred to the General Fund for insurance related reimbursement costs.                                | 502,181             |
| Total                                                                                                                               | <u>\$15,357,307</u> |



**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

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.

**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2007, consisted of the following:

|                            | General Fund         | Measure Y<br>Building<br>Fund | Special Reserve<br>Capital Outlay<br>Fund | Non-Major<br>Governmental<br>Funds | Internal<br>Service<br>Fund |
|----------------------------|----------------------|-------------------------------|-------------------------------------------|------------------------------------|-----------------------------|
| Vendor payables            | \$ 866,699           | \$ 50,818                     | \$ 10,421                                 | \$ 3,175                           | \$ 3,382                    |
| State apportionment        | 719,044              | -                             | -                                         | -                                  | -                           |
| Salaries and benefits      | 8,506,551            | -                             | -                                         | 36,468                             | 10,373                      |
| Other operating services   | 2,792,847            | -                             | 1,019                                     | 136,348                            | 46,338                      |
| Construction               | 81,054               | 2,476,918                     | 737,145                                   | 944,155                            | -                           |
| Other significant payables | 451,127              | -                             | -                                         | -                                  | -                           |
| <b>Total</b>               | <b>\$ 13,417,322</b> | <b>\$2,527,736</b>            | <b>\$ 748,585</b>                         | <b>\$ 1,120,146</b>                | <b>\$ 60,093</b>            |

|                            | Total<br>Governmental<br>Activities | Total<br>Enterprise<br>Funds |
|----------------------------|-------------------------------------|------------------------------|
| Vendor payables            | \$ 934,495                          | \$ 66,839                    |
| State apportionment        | 719,044                             | -                            |
| Salaries and benefits      | 8,553,392                           | 628,430                      |
| Other operating services   | 2,976,552                           | 7,046                        |
| Construction               | 4,239,272                           | -                            |
| Other significant payables | 451,127                             | -                            |
| <b>Total</b>               | <b>\$ 17,873,882</b>                | <b>\$ 702,315</b>            |

**NOTE 7 - DEFERRED REVENUE**

Deferred revenue at June 30, 2007, consists of the following:

|                              | General           |
|------------------------------|-------------------|
| Federal financial assistance | \$ 203,399        |
| State categorical aid        | 124,276           |
| <b>Total</b>                 | <b>\$ 327,675</b> |

**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2007**

**NOTE 8 - LONG-TERM OBLIGATIONS**

**Summary**

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

|                                       | Balance<br>July 1, 2006<br>as restated | Additions           | Deductions          | Balance<br>June 30, 2007 | Due in<br>One Year  |
|---------------------------------------|----------------------------------------|---------------------|---------------------|--------------------------|---------------------|
| General obligation bonds              | \$ 97,591,624                          | \$ 2,448,727        | \$ 4,887,187        | \$ 95,153,164            | \$ 1,535,000        |
| Premium on issuance                   | 9,218,530                              | -                   | 447,244             | 8,771,286                | -                   |
| Certificates of participation         | 91,960,315                             | 391,170             | 210,000             | 92,141,485               | 165,000             |
| Premium on issuance                   | 1,922,152                              | -                   | 69,897              | 1,852,255                | -                   |
| Compensated absences                  | 1,450,459                              | -                   | 5,370               | 1,445,089                | -                   |
| Capital leases                        | 14,088,424                             | 462,545             | 1,087,878           | 13,463,091               | 1,171,846           |
| PARS supplementary<br>retirement plan | 1,775,298                              | -                   | 887,650             | 887,648                  | 887,648             |
|                                       | <u>\$ 218,006,802</u>                  | <u>\$ 3,302,442</u> | <u>\$ 7,595,226</u> | <u>\$ 213,714,018</u>    | <u>\$ 3,759,494</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<br>Date | Maturity<br>Date | Interest<br>Rate | Original<br>Issue | Bonds                               |                     |                    | Bonds<br>Outstanding<br>End of Year |
|---------------|------------------|------------------|-------------------|-------------------------------------|---------------------|--------------------|-------------------------------------|
|               |                  |                  |                   | Outstanding<br>Beginning<br>of Year | Accreted            | Redeemed           |                                     |
| 6/1/02        | 8/1/26           | 1.65 - 6.87      | \$ 44,997,800     | \$ 5,275,931                        | \$ 100,996          | \$ 150,000         | \$ 5,226,927                        |
| 5/1/04        | 8/1/28           | 1.70 - 5.94      | 29,999,744        | 29,543,036                          | 115,157             | 2,000,000          | 27,658,193                          |
| 5/5/05        | 8/1/29           | 2.70 - 5.22      | 26,999,610        | 27,044,247                          | 69,918              | -                  | 27,114,165                          |
| 12/8/05       | 8/1/24           | 3.06 - 4.35      | 37,325,000        | 35,728,410                          | 2,162,656           | 2,737,187          | 35,153,879                          |
|               |                  |                  |                   | <u>\$97,591,624</u>                 | <u>\$ 2,448,727</u> | <u>\$4,887,187</u> | <u>\$95,153,164</u>                 |

**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2007**

**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 originally matured 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 remaining bonds mature through August, 2017.

The bonds mature as follows:

| Fiscal Year | Principal<br>including accreted<br>interest to date | Accreted<br>interest | Current<br>interest to<br>maturity | Total               |
|-------------|-----------------------------------------------------|----------------------|------------------------------------|---------------------|
| 2008        | \$ 385,000                                          | \$ -                 | \$ 139,881                         | \$ 524,881          |
| 2009        | 350,000                                             | -                    | 127,063                            | 477,063             |
| 2010        | 500,000                                             | -                    | 110,500                            | 610,500             |
| 2011        | 650,000                                             | -                    | 87,500                             | 737,500             |
| 2012        | 800,000                                             | -                    | 58,500                             | 858,500             |
| 2013-2017   | 2,049,907                                           | 950,093              | 21,250                             | 3,021,250           |
| 2018        | 492,020                                             | 507,980              | -                                  | 1,000,000           |
| Total       | <u>\$ 5,226,927</u>                                 | <u>\$ 1,458,073</u>  | <u>\$ 544,694</u>                  | <u>\$ 7,229,694</u> |

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

### 2002 General Obligation Bonds, Series B

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

The bonds mature as follows:

| Fiscal Year | Principal<br>including accreted<br>interest to date | Accreted<br>interest | Current<br>interest to<br>maturity | Total                |
|-------------|-----------------------------------------------------|----------------------|------------------------------------|----------------------|
| 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        | 725,000                                             | -                    | 1,254,269                          | 1,979,269            |
| 2013-2017   | 4,550,000                                           | -                    | 5,691,063                          | 10,241,063           |
| 2018-2022   | 7,195,000                                           | -                    | 4,183,816                          | 11,378,816           |
| 2023-2027   | 10,335,000                                          | 3,438,963            | 1,877,484                          | 15,651,447           |
| 2028-2029   | 2,638,193                                           | 4,912,844            | 38,225                             | 7,589,262            |
| Total       | <u>\$ 27,658,193</u>                                | <u>\$ 8,351,807</u>  | <u>\$ 18,306,037</u>               | <u>\$ 54,316,037</u> |

**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2007**

**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<br>including accreted<br>interest to date | Accreted<br>interest | Current<br>interest to<br>maturity | Total                |
|-------------|-----------------------------------------------------|----------------------|------------------------------------|----------------------|
| 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        | 350,000                                             | -                    | 1,203,025                          | 1,553,025            |
| 2013-2017   | 2,225,000                                           | -                    | 5,761,706                          | 7,986,706            |
| 2018-2022   | 3,920,000                                           | -                    | 5,119,112                          | 9,039,112            |
| 2023-2027   | 5,655,000                                           | -                    | 4,010,625                          | 9,665,625            |
| 2028-2030   | 13,919,165                                          | 4,690,835            | 1,020,625                          | 19,630,625           |
| Total       | <u>\$ 27,114,165</u>                                | <u>\$ 4,690,835</u>  | <u>\$ 22,035,957</u>               | <u>\$ 53,840,957</u> |

**2006 General Obligation Revenue Bonds**

In December 2005, the District issued capital appreciation 2006 General Obligation Refunding Bonds in the amount of \$35,728,410 (accreting to \$37,891,065). 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<br>including accreted<br>interest to date | Accreted<br>interest | Total                |
|-------------|-----------------------------------------------------|----------------------|----------------------|
| 2008        | \$ 2,405,378                                        | \$ 2,005,241         | \$ 4,410,619         |
| 2009        | 2,249,227                                           | 1,978,902            | 4,228,129            |
| 2010        | 2,116,577                                           | 1,951,436            | 4,068,013            |
| 2011        | 1,983,268                                           | 1,923,365            | 3,906,633            |
| 2012        | 1,849,835                                           | 1,895,265            | 3,745,100            |
| 2013-2017   | 9,955,562                                           | 8,339,233            | 18,294,795           |
| 2018-2022   | 9,479,176                                           | 5,458,245            | 14,937,421           |
| 2023-2025   | 5,114,856                                           | 801,850              | 5,916,706            |
| Total       | <u>\$ 35,153,879</u>                                | <u>\$ 24,353,537</u> | <u>\$ 59,507,416</u> |

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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### 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, 2007, the principal balance outstanding was \$4,940,000.

The certificates mature as follows:

| Year Ending<br>June 30, | Principal           | Interest            | Total               |
|-------------------------|---------------------|---------------------|---------------------|
| 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                    | 185,000             | 178,911             | 363,911             |
| 2013-2017               | 1,015,000           | 795,999             | 1,810,999           |
| 2018-2022               | 1,220,000           | 592,794             | 1,812,794           |
| 2023-2027               | 1,500,000           | 311,663             | 1,811,663           |
| 2028                    | 345,000             | 17,500              | 362,500             |
| Total                   | <u>\$ 4,940,000</u> | <u>\$ 2,662,836</u> | <u>\$ 7,602,836</u> |

**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2007**

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.

The certificates mature as follows:

| Year Ending<br>June 30, | Principal<br>including accreted<br>interest to date | Accreted<br>interest | Current<br>interest to<br>maturity | Total                 |
|-------------------------|-----------------------------------------------------|----------------------|------------------------------------|-----------------------|
| 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                    | 250,000                                             | -                    | 3,945,588                          | 4,195,588             |
| 2013-2017               | 4,475,000                                           | -                    | 19,398,563                         | 23,873,563            |
| 2018-2022               | 9,550,000                                           | -                    | 16,283,813                         | 25,833,813            |
| 2023-2027               | 16,150,000                                          | -                    | 16,841,850                         | 32,991,850            |
| 2028-2032               | 32,865,000                                          | -                    | 10,064,500                         | 42,929,500            |
| 2034-2035               | 23,911,485                                          | 13,903,515           | 1,348,150                          | 39,163,150            |
| Total                   | <u>\$ 87,201,485</u>                                | <u>\$ 13,903,515</u> | <u>\$ 83,664,814</u>               | <u>\$ 184,769,814</u> |

**Compensated Absences**

Accumulated unpaid employee vacation for the District at June 30, 2007, amounted to \$1,445,089.

**Capital Leases**

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

|                            |                      |
|----------------------------|----------------------|
| Balance, Beginning of Year | <u>\$ 18,637,524</u> |
| Additions                  | 462,545              |
| Payments                   | 1,750,849            |
| Balance, End of Year       | <u>\$ 17,349,220</u> |

**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2007**

The capital leases have minimum lease payments as follows:

| Year Ending<br>June 30,                 | Lease<br>Payment     |
|-----------------------------------------|----------------------|
| 2008                                    | \$ 1,789,959         |
| 2009                                    | 1,832,852            |
| 2010                                    | 1,713,542            |
| 2011                                    | 1,609,661            |
| 2012                                    | 1,581,370            |
| 2013-2017                               | 6,370,232            |
| 2018-2021                               | 2,451,604            |
| Total                                   | 17,349,220           |
| Less: Amount Representing Interest      | 3,886,129            |
| Present Value of Minimum Lease Payments | <u>\$ 13,463,091</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, 2007, the remaining obligation is \$887,648.

| Year Ending<br>June 30, | Payment           |
|-------------------------|-------------------|
| 2008                    | <u>\$ 887,648</u> |

**NOTE 9 – COMMUNITY FACILITIES DISTRICT BONDS (NON-OBLIGATORY DEBT)**

These bonds are authorized pursuant to the Mello-Roos Community Facilities Act of 1982 as amended, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the School District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the School District has no duty to pay the delinquency out of any available funds of the School District. The School District acts solely as an agent for those paying taxes levied and the bondholders. The Community Facilities District Bonds currently active include the Community Facilities District No. 1, 2002 Special Tax Bonds with a remaining balance as of June 30, 2007 of \$5,315,000.



**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 10 - FUND BALANCES**

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

|                        | General Fund         | Measure Y<br>Building<br>Fund | Special Reserve<br>Capital Outlay<br>Fund | Non-Major<br>Governmental<br>Funds |
|------------------------|----------------------|-------------------------------|-------------------------------------------|------------------------------------|
| <b>Reserved</b>        |                      |                               |                                           |                                    |
| Revolving cash         | \$ 169,000           | \$ -                          | \$ -                                      | \$ -                               |
| Stores inventory       | 322,510              | -                             | -                                         | -                                  |
| Restricted programs    | 9,887,711            | -                             | -                                         | 221,622                            |
| Total Reserved         | <u>10,379,221</u>    | <u>-</u>                      | <u>-</u>                                  | <u>221,622</u>                     |
| <b>Unreserved</b>      |                      |                               |                                           |                                    |
| <b>Designated</b>      |                      |                               |                                           |                                    |
| Economic uncertainties | 10,815,289           | -                             | -                                         | -                                  |
| Capital projects       | -                    | 10,887,922                    | 15,511,312                                | 8,549,974                          |
| Other designations     | -                    | -                             | -                                         | 67,742                             |
| Total Designated       | <u>10,815,289</u>    | <u>10,887,922</u>             | <u>15,511,312</u>                         | <u>8,617,716</u>                   |
| <b>Undesignated</b>    |                      |                               |                                           |                                    |
| Total Unreserved       | <u>10,815,289</u>    | <u>10,887,922</u>             | <u>15,511,312</u>                         | <u>12,489,864</u>                  |
| Total                  | <u>\$ 21,194,510</u> | <u>\$ 10,887,922</u>          | <u>\$ 15,511,312</u>                      | <u>\$ 12,711,486</u>               |

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 5 or 10 years of service, depending on hire date and employee classification. Currently, 209 employees meet those eligibility requirements. The District contributes a fixed amount of the benefit with the employee usually paying a small portion of premiums incurred by retirees and their dependents 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 \$1,646,145 were recognized for retirees' health care benefits.

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

### NOTE 12 - RISK MANAGEMENT - CLAIMS

#### Property and Liability

The District's risk management activities are recorded in the Self-Insurance Funds. Employee health and life benefits are provided for by a combination of purchased first dollar coverage (medical) and self-insured programs for dental and vision coverages. The District self-insures its exposures for workers' compensation claims and purchases excess insurance for amounts in excess of its self-insured retention level. The District's property and liability programs are administered through its respective self-insurance funds. Excess property and liability coverages are obtained through the public entity risk pool, Alliance of Schools for Cooperative Insurance Programs (ASCIP). (See Note 15 for additional information relating to public entity risk pools.)

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

#### Claims Liabilities

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

#### 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, 2005 to June 30, 2007:

|                                                    | Comprehensive<br>Liability | Health and<br>Welfare | Property<br>Loss Risk | Workers'<br>Compensation | Total               |
|----------------------------------------------------|----------------------------|-----------------------|-----------------------|--------------------------|---------------------|
| 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                   | 362,856                    | 271,000               | 850                   | 4,479,645                | 5,114,351           |
| Claims and changes in estimates                    | 124,864                    | 19,923,444            | 26,274                | 765,066                  | 20,839,648          |
| Claims payments                                    | (124,864)                  | (19,923,444)          | (26,274)              | (1,267,247)              | (21,341,829)        |
| Liability Balance, June 30, 2007                   | <u>\$ 362,856</u>          | <u>\$ 271,000</u>     | <u>\$ 850</u>         | <u>\$ 3,977,464</u>      | <u>\$ 4,612,170</u> |
| Assets available to pay claims<br>at June 30, 2007 | <u>\$ 445,669</u>          | <u>\$ 670,949</u>     | <u>\$ 190,160</u>     | <u>\$ 4,867,939</u>      | <u>\$ 6,174,717</u> |

### NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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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 2006-2007 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, 2007, 2006, and 2005, were \$7,964,728, \$7,583,305, and \$7,265,990, 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 2006-2007 was 9.124 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, 2007, 2006 and 2005 were, \$2,099,695, \$1,956,032, and \$1,846,519, respectively, and equal 100 percent of the required contributions for each year.

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2007**

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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 \$4,497,083 (4.517 percent of salaries subject to STRS). A contribution to PERS was not required for the year ended June 30, 2007. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have not been included in the budget amounts reported in the General Fund Budgetary Schedule. These amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

### **NOTE 14 - COMMITMENTS AND CONTINGENCIES**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2007.

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.

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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As of June 30, 2007, the District had the following commitments with respect to unfinished capital projects:

| CAPITAL PROJECT                    | Remaining<br>Construction<br>Commitment | Expected<br>Date of<br>Completion |
|------------------------------------|-----------------------------------------|-----------------------------------|
| Parking lot improvements           | \$ 575,715                              | 06/30/08                          |
| Pool renovation                    | 247,681                                 | 06/30/08                          |
| Interim housing                    | 138,346                                 | 06/30/08                          |
| Yorba Linda High School            | 47,478,138                              | 10/30/09                          |
| Southwest School                   | 23,825,000                              | 10/30/08                          |
| New lunch shelters                 | 162,785                                 | 06/30/08                          |
| Various building alternations      | 439,584                                 | 06/30/08                          |
| Mabel Paine Elementary flood costs | 121,507                                 | 06/30/08                          |
|                                    | <u>\$ 72,988,756</u>                    |                                   |

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

The District is a member of the Alliance of Schools for Cooperative Insurance Programs (ASCIP), and the Schools Excess Liability Fund (SELF) public entity risk pools and the North Orange County Regional Occupational Program (NOCROP) joint powers authority (JPA). The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. The relationships between the District, the pools, and the JPAs are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2007, the District made payment of \$716,378, \$4,246, and \$1,971,553 to ASCIP, SELF, and NOCROP, respectively, for goods or services noted above.

### NOTE 16 – RESTATEMENT OF PRIOR YEAR NET ASSETS AND FUND BALANCES

Certain items that occurred in the prior year net assets and fund balances have been restated as of June 30, 2006, to more accurately reflect the substance of the underlying transactions. The following table lists the reason for the restatement.

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

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### NOTE 16 – RESTATEMENT OF PRIOR YEAR NET ASSETS AND FUND BALANCES

Certain items that occurred in the prior year net assets and fund balances have been restated as of June 30, 2006, to more accurately reflect the substance of the underlying transactions. The following table lists the reason for the restatement.

#### **Government-Wide Financial Statements**

|                                                                                           |                       |
|-------------------------------------------------------------------------------------------|-----------------------|
| Net Assets - Beginning                                                                    | \$ 169,412,500        |
| Misclassification of CFD activity as governmental activities, reclassified to agency fund | (942,871)             |
| Overstatement of long-term obligations from CFD activity                                  | 5,410,000             |
| Overstatement of accrued interest payable from CFD activity                               | 102,083               |
| Net Assets - Beginning As Restated                                                        | <u>\$ 173,981,712</u> |

#### **Major Fund: Debt Service Component Unit Fund**

|                                                                                           |                      |
|-------------------------------------------------------------------------------------------|----------------------|
| Net Assets - Beginning                                                                    | \$ 14,128,785        |
| Misclassification of CFD activity as governmental activities, reclassified to agency fund | (942,871)            |
| Net Assets - Beginning As Restated                                                        | <u>\$ 13,185,914</u> |

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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, 2007

|                                              | Budgeted Amounts<br>(GAAP Basis) |                     | Actual<br>(GAAP Basis) | Variances -<br>Positive<br>(Negative)<br>Final |
|----------------------------------------------|----------------------------------|---------------------|------------------------|------------------------------------------------|
|                                              | Original                         | Final               |                        | to Actual                                      |
|                                              | <b>REVENUES</b>                  |                     |                        |                                                |
| Revenue limit sources                        | \$147,340,196                    | \$147,712,277       | \$ 147,712,279         | \$ 2                                           |
| Federal sources                              | 9,699,101                        | 11,036,726          | 9,657,689              | (1,379,037)                                    |
| Other State sources                          | 32,358,337                       | 43,859,130          | 48,132,346             | 4,273,216                                      |
| Other local sources                          | 3,395,202                        | 7,452,019           | 7,035,675              | (416,344)                                      |
| <b>Total Revenues</b> <sup>1</sup>           | <b>192,792,836</b>               | <b>210,060,152</b>  | <b>212,537,989</b>     | <b>2,477,837</b>                               |
| <b>EXPENDITURES</b>                          |                                  |                     |                        |                                                |
| <b>Current</b>                               |                                  |                     |                        |                                                |
| Instruction                                  | 124,597,921                      | 140,343,143         | 133,857,746            | 6,485,397                                      |
| Instruction-related activities:              |                                  |                     |                        |                                                |
| Supervision of instruction                   | 7,984,299                        | 8,876,343           | 7,717,412              | 1,158,931                                      |
| Instructional library, media, and technology | 693,219                          | 918,445             | 875,263                | 43,182                                         |
| School site administration                   | 11,911,687                       | 12,505,468          | 12,928,220             | (422,752)                                      |
| Pupil services:                              |                                  |                     |                        |                                                |
| Home-to-school transportation                | 5,467,789                        | 5,103,592           | 5,407,825              | (304,233)                                      |
| Food services                                | 3,500                            | 3,500               | 418                    | 3,082                                          |
| All other pupil services                     | 6,666,873                        | 7,919,456           | 7,636,682              | 282,774                                        |
| General administration:                      |                                  |                     |                        |                                                |
| Data processing                              | 3,167,766                        | 3,835,309           | 3,393,564              | 441,745                                        |
| All other general administration             | 7,205,674                        | 6,876,088           | 6,294,166              | 581,922                                        |
| Plant services                               | 20,107,117                       | 21,660,307          | 21,269,554             | 390,753                                        |
| Facility acquisition and construction        | 410,659                          | 608,290             | 566,490                | 41,800                                         |
| Ancillary services                           | -                                | 335,157             | 58,162                 | 276,995                                        |
| Community services                           | 108,667                          | 112,059             | 82,794                 | 29,265                                         |
| Other outgo                                  | 2,941,141                        | 3,160,370           | 3,214,801              | (54,431)                                       |
| Enterprise services                          | 1,000,000                        | 1,000,000           | 1,000,000              | -                                              |
| Debt service                                 |                                  |                     |                        |                                                |
| Principal                                    | -                                | 260,104             | 309,285                | (49,181)                                       |
| Interest                                     | -                                | 461,076             | 40,426                 | 420,650                                        |
| <b>Total Expenditures</b> <sup>1</sup>       | <b>192,266,312</b>               | <b>213,978,707</b>  | <b>204,652,808</b>     | <b>9,325,899</b>                               |
| <b>Excess (Deficiency) of Revenues</b>       | <b>526,524</b>                   | <b>(3,918,555)</b>  | <b>7,885,181</b>       | <b>11,803,736</b>                              |
| <b>Over Expenditures</b>                     | <b>526,524</b>                   | <b>(3,918,555)</b>  | <b>7,885,181</b>       | <b>11,803,736</b>                              |
| <b>Other Financing Sources (Uses):</b>       |                                  |                     |                        |                                                |
| Transfers in                                 | -                                | 1,771,681           | 1,771,681              | -                                              |
| Other sources                                | -                                | -                   | 462,545                | 462,545                                        |
| Transfers out                                | -                                | (1,297,544)         | (1,659,704)            | (362,160)                                      |
| <b>Net Financing Uses</b>                    | <b>-</b>                         | <b>474,137</b>      | <b>574,522</b>         | <b>100,385</b>                                 |
| <b>NET CHANGE IN FUND BALANCES</b>           | <b>526,524</b>                   | <b>(3,444,418)</b>  | <b>8,459,703</b>       | <b>11,904,121</b>                              |
| <b>Fund Balance - Beginning</b>              | <b>12,734,807</b>                | <b>12,734,807</b>   | <b>12,734,807</b>      | <b>-</b>                                       |
| <b>Fund Balance - Ending</b>                 | <b>\$ 13,261,331</b>             | <b>\$ 9,290,389</b> | <b>\$ 21,194,510</b>   | <b>\$ 11,904,121</b>                           |

<sup>1</sup> On behalf payments of \$4,497,083 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, 2007**

| Federal Grantor/Pass-Through<br>Grantor/Program          | Federal<br>Catalog<br>Number | Pass-Through<br>Entity<br>Identifying<br>Number | Federal<br>Expenditures |
|----------------------------------------------------------|------------------------------|-------------------------------------------------|-------------------------|
| Passed through California Department of Education (CDE): |                              |                                                 |                         |
| Adult Basic Education - ESL Citizenship                  | 84.002A                      | 14508                                           | \$ 52,088               |
| Adult Basic Education - GED                              | 84.002A                      | 13978                                           | 8,325                   |
| Improving America's School Act (IASA)                    |                              |                                                 |                         |
| Title I - Low Income and Neglected                       | 84.010                       | 13797                                           | 2,338,189               |
| Title I - Part B, Even Start Family Literacy             | 84.213                       | 14331                                           | 189,722                 |
| Title II - Improving Teacher Quality                     | 84.367                       | 14341                                           | 751,221                 |
| Title II - Enhancing Education through Technology        | 84.318                       | 14334                                           | 23,113                  |
| Title II - Enhancing Education through Technology        | 84.318                       | 14368                                           | 32,737                  |
| Title III - Limited English Proficiency                  | 84.365                       | 10084                                           | 339,372                 |
| Title IV - Drug Free Schools                             | 84.186                       | 14347                                           | 92,849                  |
| Title VI - Innovative Strategies                         | 84.298A                      | 14354                                           | 19,640                  |
| Title VI - California Alternate Performance Assessment   | 84.369                       | 14488                                           | 805                     |
| 21st Century Community Learning Centers                  | 84.284                       | 14349                                           | 371,371                 |
| Individuals with Disabilities Education Act (IDEA)       |                              |                                                 |                         |
| Local Assistance                                         | 84.027                       | 13379                                           | 3,849,934               |
| Federal Preschool                                        | 84.173                       | 13430                                           | 123,891                 |
| Preschool Local Entitlement                              | 84.027A                      | 13682                                           | 280,307                 |
| Preschool Staff Development                              | 84.173A                      | 13431                                           | 1,579                   |
| Early Intervention Part C                                | 84.181                       | 23761                                           | 62,932                  |
| Passed to Brea-Olinda USD:                               |                              |                                                 |                         |
| Local Assistance                                         | 84.027                       | 13379                                           | 891,636                 |
| Federal Preschool                                        | 84.173                       | 13430                                           | 18,632                  |
| Preschool Local Entitlement                              | 84.027A                      | 13682                                           | 38,934                  |
| Vocational Educational Grants                            |                              |                                                 |                         |
| Secondary Education                                      | 84.048                       | 13924                                           | 143,462                 |
| Total U.S. Department of Education                       |                              |                                                 | 9,630,739               |
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                    |                              |                                                 |                         |
| Passed through CDE:                                      |                              |                                                 |                         |
| Basic School Breakfast Program                           | 10.553                       | 13390                                           | 85,022                  |
| Especially Needy Breakfast                               | 10.553                       | 13390                                           | 558,848                 |
| Meal Supplements                                         | 10.555                       | 13755                                           | 41,991                  |
| National School Lunch Program                            | 10.555                       | 13396                                           | 2,482,473               |
| Food Commodities                                         | 10.550                       | 13389                                           | 401,500                 |
| Total U.S. Department of Agriculture                     |                              |                                                 | 3,569,834               |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>      |                              |                                                 |                         |
| Passed through CDE:                                      |                              |                                                 |                         |
| Child Care Development Fund Capacity Project             | 93.575                       | 13942                                           | 2,730                   |
| Medi-Cal Billing Option                                  | 93.778                       | 10013                                           | 46,061                  |
| Total U.S. Department of Health and<br>Human Services    |                              |                                                 | 48,791                  |
| Total Expenditures of Federal Awards                     |                              |                                                 | \$ 13,249,364           |

See accompanying note to supplementary information.

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE

JUNE 30, 2007

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### ORGANIZATION

The Placentia-Yorba Linda Unified School District was established in 1992 and consists of an area comprising approximately 36.99 square miles. The District operates 22 elementary schools, five middle schools, three high schools, one continuation, and one adult school. There were no boundary changes during the year.

### GOVERNING BOARD

| <u>MEMBER</u>           | <u>OFFICE</u>  | <u>TERM EXPIRES</u> |
|-------------------------|----------------|---------------------|
| Mrs. Jan Wagner         | President      | 2010                |
| Mrs. Judy Miller        | Vice President | 2008                |
| Mrs. Carol Downey       | Clerk          | 2008                |
| Mrs. Karin Freeman      | Trustee        | 2010                |
| 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 |
| Ms. Beth Berndt       | Assistant Superintendent, Personnel Services      |

See accompanying note to supplementary information.

**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2007**

|                                            | Amended<br>Annual<br>ADA<br><u>2006-2007</u> | Amended<br>Second<br>Period ADA<br><u>2006-2007</u> |
|--------------------------------------------|----------------------------------------------|-----------------------------------------------------|
| <b>ELEMENTARY</b>                          |                                              |                                                     |
| Kindergarten                               | 1,653                                        | 1,651                                               |
| First through third                        | 5,342                                        | 5,329                                               |
| Fourth through sixth                       | 5,575                                        | 5,571                                               |
| Seventh and eighth                         | 4,099                                        | 4,107                                               |
| Home and hospital                          | 9                                            | 7                                                   |
| Special education - master plan            | 408                                          | 403                                                 |
| Special education - non-public             | 20                                           | 20                                                  |
| Extended year special education - mandated | 41                                           | 41                                                  |
| Total Elementary                           | <u>17,147</u>                                | <u>17,129</u>                                       |
| <b>SECONDARY</b>                           |                                              |                                                     |
| Regular classes                            | 7,652                                        | 7,700                                               |
| Continuation education                     | 236                                          | 240                                                 |
| Home and hospital                          | 9                                            | 8                                                   |
| Special education - master plan            | 257                                          | 259                                                 |
| Special education - non-public             | 15                                           | 15                                                  |
| Extended year special education - mandated | 15                                           | 16                                                  |
| Total Secondary                            | <u>8,184</u>                                 | <u>8,238</u>                                        |
| Total K-12                                 | <u>25,331</u>                                | <u>25,367</u>                                       |
| <b>REGIONAL OCCUPATIONAL CENTERS</b>       |                                              |                                                     |
| - MANDATED                                 | <u>556</u>                                   | <u>532</u>                                          |
| <b>CLASSES FOR ADULTS</b>                  |                                              |                                                     |
| Concurrently enrolled                      | 63                                           | 61                                                  |
| Not concurrently enrolled                  | 135                                          | 125                                                 |
| Independent study                          | 45                                           | 37                                                  |
| Total Classes for Adults                   | <u>243</u>                                   | <u>223</u>                                          |
| Grand Total                                | <u>26,130</u>                                | <u>26,122</u>                                       |
| <br><b>SUMMER SCHOOL/INTERSESSION-</b>     |                                              |                                                     |
| <b>ANNUAL PUPIL HOURS OF ATTENDANCE</b>    |                                              |                                                     |
| Core academic programs                     | 159,732                                      |                                                     |
| Students not meeting proficiency standards | 271,080                                      |                                                     |
| Total Hours                                | <u>430,812</u>                               |                                                     |

See accompanying note to supplementary information.

**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2007**

| Grade Level   | 1986-87           | 1986-87                | 2006-07           | Number of Days          |                        | Status   |
|---------------|-------------------|------------------------|-------------------|-------------------------|------------------------|----------|
|               | Actual<br>Minutes | Minutes<br>Requirement | Actual<br>Minutes | Traditional<br>Calendar | Multitrack<br>Calendar |          |
| Kindergarten  | 36,000            | 36,000                 | 36,000            | 180                     | -                      | Complied |
| Grades 1 - 3  | 50,585            | 50,400                 |                   |                         |                        |          |
| Grade 1       |                   |                        | 55,080            | 180                     | -                      | Complied |
| Grade 2       |                   |                        | 55,080            | 180                     | -                      | Complied |
| Grade 3       |                   |                        | 55,080            | 180                     | -                      | Complied |
| Grades 4 - 6  | 54,890            | 54,000                 |                   |                         |                        |          |
| Grade 4       |                   |                        | 55,080            | 180                     | -                      | Complied |
| Grade 5       |                   |                        | 55,080            | 180                     | -                      | Complied |
| Grade 6       |                   |                        | 55,080            | 180                     | -                      | Complied |
| Grades 7 - 8  | 54,890            | 54,000                 |                   |                         |                        |          |
| Grade 7       |                   |                        | 61,769            | 180                     | -                      | Complied |
| Grade 8       |                   |                        | 61,769            | 180                     | -                      | Complied |
| Grades 9 - 12 | 64,942            | 64,800                 |                   |                         |                        |          |
| Grade 9       |                   |                        | 65,063            | 180                     | -                      | Complied |
| Grade 10      |                   |                        | 65,063            | 180                     | -                      | Complied |
| Grade 11      |                   |                        | 65,063            | 180                     | -                      | Complied |
| Grade 12      |                   |                        | 65,063            | 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, 2007**

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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, 2007.

See accompanying note to supplementary information.

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2007

|                                                                      | (Adopted July Budget) |                       |                       |                       |
|----------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                                                      | 2008 <sup>1</sup>     | 2007                  | 2006                  | 2005                  |
| <b>GENERAL FUND</b>                                                  |                       |                       |                       |                       |
| Revenues                                                             | \$ 200,762,316        | \$ 212,537,989        | \$ 195,631,812        | \$ 182,973,570        |
| Other sources and transfers in                                       | 1,230,000             | 2,234,226             | 1,380,000             | 2,021,972             |
| <b>Total Revenues and Other Sources</b>                              | <b>201,992,316</b>    | <b>214,772,215</b>    | <b>197,011,812</b>    | <b>184,995,542</b>    |
| Expenditures                                                         | 198,106,342           | 204,652,808           | 189,784,389           | 180,566,095           |
| Other uses and transfers out                                         | 1,200,000             | 1,659,704             | 7,152,132             | 4,828,377             |
| <b>Total Expenditures and Other Uses</b>                             | <b>199,306,342</b>    | <b>206,312,512</b>    | <b>196,936,521</b>    | <b>185,394,472</b>    |
| <b>INCREASE (DECREASE) IN FUND BALANCE</b>                           | <b>\$ 2,685,974</b>   | <b>\$ 8,459,703</b>   | <b>\$ 75,291</b>      | <b>\$ (398,930)</b>   |
| <b>ENDING FUND BALANCE</b>                                           | <b>\$ 23,880,484</b>  | <b>\$ 21,194,510</b>  | <b>\$ 12,734,807</b>  | <b>\$ 12,659,516</b>  |
| <b>AVAILABLE RESERVES<sup>2</sup></b>                                | <b>\$ 13,480,263</b>  | <b>\$ 10,815,289</b>  | <b>\$ 7,228,735</b>   | <b>\$ 7,867,627</b>   |
| <b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO<sup>3</sup></b> | <b>6.76%</b>          | <b>5.36%</b>          | <b>3.75%</b>          | <b>4.24%</b>          |
| <b>LONG-TERM OBLIGATIONS</b>                                         | <b>N/A</b>            | <b>\$ 213,714,018</b> | <b>\$ 218,006,802</b> | <b>\$ 143,831,649</b> |
| <b>K-12 AVERAGE DAILY ATTENDANCE AT P-2<sup>4</sup></b>              | <b>24,985</b>         | <b>25,367</b>         | <b>25,525</b>         | <b>25,582</b>         |

The General Fund balance has increased by \$8,534,994 over the past two years. The fiscal year 2007-2008 budget projects an increase of \$2,685,974 (12.6 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating surplus during the 2007-2008 fiscal year. Total long-term obligations have increased by \$69,882,369 over the past two years.

Average daily attendance has decreased by 215 over the past two years. An additional ADA decline of 382 is anticipated during fiscal year 2007-2008.

<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 \$4,497,083 and \$4,281,764 have been excluded from expenditures in the calculation of available reserves for the fiscal years ended June 30, 2007 and 2006, respectively.

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

See accompanying note to supplementary information.

**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**EXCESS SICK LEAVE**

**JUNE 30, 2007**

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**Section 19833.5 (a)(3)(c) Disclosure**

Placentia-Yorba Linda Unified School District provides more than 12 sick leave days in a school year to the superintendent who is a CalSTRS member.

See accompanying note to supplementary information.

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2007

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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.

#### Subrecipients

Of the Federal expenditures presented in the schedule, the District provided Federal awards to subrecipients as follows:

| Federal Grantor/Pass-Through<br>Grantor/Program | Federal CFDA<br>Number | Amount Provided to<br>Subrecipients |
|-------------------------------------------------|------------------------|-------------------------------------|
| Special Education Cluster                       | 84.027/84.173          | \$ 949,202                          |

#### Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

#### 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.

# PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION

**JUNE 30, 2007**

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### **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.

### **Excess Sick Leave**

This schedule provides information required by the Audit Guide for California K-12 Local Educational Agencies for excess sick leave authorized or accrued for members of the California State Teachers Retirement System (CalSTRS).

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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, 2007**

|                                                | <b>Adult<br/>Education<br/>Fund</b> | <b>Deferred<br/>Maintenance<br/>Fund</b> | <b>Capital<br/>Facilities<br/>Fund</b> |
|------------------------------------------------|-------------------------------------|------------------------------------------|----------------------------------------|
| <b>ASSETS</b>                                  |                                     |                                          |                                        |
| Deposits and investments                       | \$ 194,256                          | \$ 195,263                               | \$ 5,922,964                           |
| Receivables                                    | 80,076                              | 909                                      | 29,507                                 |
| Due from other funds                           | 2,209                               | -                                        | -                                      |
| <b>Total Assets</b>                            | <b>\$ 276,541</b>                   | <b>\$ 196,172</b>                        | <b>\$ 5,952,471</b>                    |
| <b>LIABILITIES AND<br/>FUND BALANCES</b>       |                                     |                                          |                                        |
| <b>LIABILITIES</b>                             |                                     |                                          |                                        |
| Accounts payable                               | \$ 34,608                           | \$ 128,430                               | \$ 183,705                             |
| Due to other funds                             | 20,311                              | -                                        | 1,226                                  |
| <b>Total Liabilities</b>                       | <b>54,919</b>                       | <b>128,430</b>                           | <b>184,931</b>                         |
| <b>FUND BALANCES</b>                           |                                     |                                          |                                        |
| Reserved for:                                  |                                     |                                          |                                        |
| Legally restricted balance                     | 221,622                             | -                                        | -                                      |
| Other reservations                             | -                                   | -                                        | -                                      |
| Unreserved:                                    |                                     |                                          |                                        |
| Designated                                     | -                                   | 67,742                                   | 5,767,540                              |
| Undesignated, reported in:                     |                                     |                                          |                                        |
| Debt service funds                             | -                                   | -                                        | -                                      |
| Capital projects funds                         | -                                   | -                                        | -                                      |
| <b>Total Fund Balances</b>                     | <b>221,622</b>                      | <b>67,742</b>                            | <b>5,767,540</b>                       |
| <b>Total Liabilities and<br/>Fund Balances</b> | <b>\$ 276,541</b>                   | <b>\$ 196,172</b>                        | <b>\$ 5,952,471</b>                    |

See accompanying note to supplementary information - unaudited.



| <b>County School<br/>Facilities<br/>Fund</b> | <b>Capital Projects<br/>Component Unit<br/>Fund</b> | <b>Energy<br/>Conservation<br/>Capital<br/>Fund</b> | <b>Bond Interest<br/>and Redemption<br/>Fund</b> | <b>Energy<br/>Conservation<br/>Debt<br/>Fund</b> | <b>Total<br/>Non-Major<br/>Governmental<br/>Funds</b> |
|----------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|--------------------------------------------------|--------------------------------------------------|-------------------------------------------------------|
| \$ 3,083,937                                 | \$ 373,787                                          | \$ 84,630                                           | \$ 3,855,647                                     | \$ -                                             | \$ 13,710,484                                         |
| 13,483                                       | -                                                   | -                                                   | 16,501                                           | -                                                | 140,476                                               |
| -                                            | -                                                   | -                                                   | -                                                | -                                                | 2,209                                                 |
| <u>\$ 3,097,420</u>                          | <u>\$ 373,787</u>                                   | <u>\$ 84,630</u>                                    | <u>\$ 3,872,148</u>                              | <u>\$ -</u>                                      | <u>\$ 13,853,169</u>                                  |
| <br>                                         |                                                     |                                                     |                                                  |                                                  |                                                       |
| \$ 773,403                                   | \$ -                                                | \$ -                                                | \$ -                                             | \$ -                                             | \$ 1,120,146                                          |
| -                                            | -                                                   | -                                                   | -                                                | -                                                | 21,537                                                |
| <u>773,403</u>                               | <u>-</u>                                            | <u>-</u>                                            | <u>-</u>                                         | <u>-</u>                                         | <u>1,141,683</u>                                      |
| <br>                                         |                                                     |                                                     |                                                  |                                                  |                                                       |
| -                                            | -                                                   | -                                                   | -                                                | -                                                | 221,622                                               |
| -                                            | -                                                   | -                                                   | -                                                | -                                                | -                                                     |
| 2,324,017                                    | -                                                   | -                                                   | -                                                | -                                                | 8,159,299                                             |
| -                                            | -                                                   | -                                                   | 3,872,148                                        | -                                                | 3,872,148                                             |
| -                                            | 373,787                                             | 84,630                                              | -                                                | -                                                | 458,417                                               |
| <u>2,324,017</u>                             | <u>373,787</u>                                      | <u>84,630</u>                                       | <u>3,872,148</u>                                 | <u>-</u>                                         | <u>12,711,486</u>                                     |
| <br>                                         |                                                     |                                                     |                                                  |                                                  |                                                       |
| <u>\$ 3,097,420</u>                          | <u>\$ 373,787</u>                                   | <u>\$ 84,630</u>                                    | <u>\$ 3,872,148</u>                              | <u>\$ -</u>                                      | <u>\$ 13,853,169</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, 2007**

|                                        | <b>Adult<br/>Education<br/>Fund</b> | <b>Deferred<br/>Maintenance<br/>Fund</b> | <b>Capital<br/>Facilities<br/>Fund</b> | <b>County<br/>School<br/>Facilities<br/>Fund</b> |
|----------------------------------------|-------------------------------------|------------------------------------------|----------------------------------------|--------------------------------------------------|
| <b>REVENUES</b>                        |                                     |                                          |                                        |                                                  |
| Revenue limit sources                  | \$ 600,538                          | \$ -                                     | \$ -                                   | \$ -                                             |
| Federal sources                        | 60,413                              | -                                        | -                                      | -                                                |
| Other State sources                    | 10,829                              | 1,056,396                                | -                                      | -                                                |
| Other local sources                    | 21,488                              | 21,072                                   | 7,305,851                              | 200,181                                          |
| <b>Total Revenues</b>                  | <u>693,268</u>                      | <u>1,077,468</u>                         | <u>7,305,851</u>                       | <u>200,181</u>                                   |
| <b>EXPENDITURES</b>                    |                                     |                                          |                                        |                                                  |
| Current                                |                                     |                                          |                                        |                                                  |
| Instruction                            | 299,466                             | -                                        | -                                      | -                                                |
| Instruction-related activities:        |                                     |                                          |                                        |                                                  |
| School site administration             | 262,634                             | -                                        | -                                      | -                                                |
| General administration:                |                                     |                                          |                                        |                                                  |
| All other general administration       | 17,817                              | -                                        | -                                      | -                                                |
| Plant services                         | -                                   | 1,378,427                                | -                                      | -                                                |
| Facility acquisition and construction  | -                                   | 401,398                                  | 5,682,096                              | 1,645,719                                        |
| Other outgo                            | -                                   | -                                        | -                                      | -                                                |
| Debt service                           |                                     |                                          |                                        |                                                  |
| Principal                              | 5,140                               | -                                        | -                                      | -                                                |
| Interest and other                     | 689                                 | -                                        | -                                      | -                                                |
| <b>Total Expenditures</b>              | <u>585,746</u>                      | <u>1,779,825</u>                         | <u>5,682,096</u>                       | <u>1,645,719</u>                                 |
| <b>Excess (Deficiency) of</b>          |                                     |                                          |                                        |                                                  |
| <b>Revenues Over Expenditures</b>      | <u>107,522</u>                      | <u>(702,357)</u>                         | <u>1,623,755</u>                       | <u>(1,445,538)</u>                               |
| <b>Other Financing Sources (Uses):</b> |                                     |                                          |                                        |                                                  |
| Transfers in                           | -                                   | 1,325,044                                | -                                      | -                                                |
| Transfers out                          | -                                   | (700,000)                                | -                                      | -                                                |
| <b>Net Financing Sources (Uses)</b>    | <u>-</u>                            | <u>625,044</u>                           | <u>-</u>                               | <u>-</u>                                         |
| <b>NET CHANGE IN FUND BALANCES</b>     |                                     |                                          |                                        |                                                  |
| Fund Balance - Beginning               | 114,100                             | 145,055                                  | 4,143,785                              | 3,769,555                                        |
| Fund Balance - Ending                  | <u>\$ 221,622</u>                   | <u>\$ 67,742</u>                         | <u>\$ 5,767,540</u>                    | <u>\$ 2,324,017</u>                              |

See accompanying note to supplementary information - unaudited.

| <b>Capital Projects<br/>Component<br/>Unit<br/>Fund</b> | <b>Energy<br/>Conservation<br/>Capital<br/>Fund</b> | <b>Bond<br/>Interest and<br/>Redemption<br/>Fund</b> | <b>Energy<br/>Conservation<br/>Debt<br/>Fund</b> | <b>Total<br/>Non-Major<br/>Governmental<br/>Funds</b> |
|---------------------------------------------------------|-----------------------------------------------------|------------------------------------------------------|--------------------------------------------------|-------------------------------------------------------|
| \$ -                                                    | \$ -                                                | \$ -                                                 | \$ -                                             | \$ 600,538                                            |
| -                                                       | -                                                   | -                                                    | -                                                | 60,413                                                |
| -                                                       | -                                                   | 56,245                                               | -                                                | 1,123,470                                             |
| 2,871,932                                               | 3,915                                               | 5,795,747                                            | -                                                | 16,220,186                                            |
| <u>2,871,932</u>                                        | <u>3,915</u>                                        | <u>5,851,992</u>                                     | <u>-</u>                                         | <u>18,004,607</u>                                     |
| -                                                       | -                                                   | -                                                    | -                                                | 299,466                                               |
| -                                                       | -                                                   | -                                                    | -                                                | 262,634                                               |
| -                                                       | -                                                   | -                                                    | -                                                | 17,817                                                |
| -                                                       | -                                                   | -                                                    | -                                                | 1,378,427                                             |
| 289,467                                                 | -                                                   | -                                                    | -                                                | 8,018,680                                             |
| 27,206                                                  | -                                                   | -                                                    | -                                                | 27,206                                                |
| -                                                       | -                                                   | 4,887,187                                            | 773,453                                          | 5,665,780                                             |
| -                                                       | -                                                   | 2,780,851                                            | 620,367                                          | 3,401,907                                             |
| <u>316,673</u>                                          | <u>-</u>                                            | <u>7,668,038</u>                                     | <u>1,393,820</u>                                 | <u>19,071,917</u>                                     |
| <u>2,555,259</u>                                        | <u>3,915</u>                                        | <u>(1,816,046)</u>                                   | <u>(1,393,820)</u>                               | <u>(1,067,310)</u>                                    |
| -                                                       | -                                                   | -                                                    | 1,393,820                                        | 2,718,864                                             |
| <u>(3,515,361)</u>                                      | <u>-</u>                                            | <u>-</u>                                             | <u>-</u>                                         | <u>(4,215,361)</u>                                    |
| <u>(3,515,361)</u>                                      | <u>-</u>                                            | <u>-</u>                                             | <u>1,393,820</u>                                 | <u>(1,496,497)</u>                                    |
| <u>(960,102)</u>                                        | <u>3,915</u>                                        | <u>(1,816,046)</u>                                   | <u>-</u>                                         | <u>(2,563,807)</u>                                    |
| <u>1,333,889</u>                                        | <u>80,715</u>                                       | <u>5,688,194</u>                                     | <u>-</u>                                         | <u>15,275,293</u>                                     |
| <u>\$ 373,787</u>                                       | <u>\$ 84,630</u>                                    | <u>\$ 3,872,148</u>                                  | <u>\$ -</u>                                      | <u>\$ 12,711,486</u>                                  |

**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, 2007**

(Amounts in thousands)

|                                                      | Actual Results for the Years |                          |                  |                          |                  |                          |
|------------------------------------------------------|------------------------------|--------------------------|------------------|--------------------------|------------------|--------------------------|
|                                                      | 2006-2007                    |                          | 2005-2006        |                          | 2004-2005        |                          |
|                                                      | Amount                       | Percent<br>of<br>Revenue | Amount           | Percent<br>of<br>Revenue | Amount           | Percent<br>of<br>Revenue |
| <b>REVENUES</b>                                      |                              |                          |                  |                          |                  |                          |
| Federal revenue                                      | \$ 9,658                     | 4.5                      | \$ 10,960        | 5.6                      | \$ 10,744        | 5.9                      |
| State and local revenue<br>included in revenue limit | 147,712                      | 69.5                     | 139,326          | 71.2                     | 135,958          | 74.3                     |
| Other state revenue                                  | 48,132                       | 22.6                     | 36,563           | 18.7                     | 30,673           | 16.8                     |
| Other local revenue                                  | 7,036                        | 3.4                      | 8,782            | 4.5                      | 5,598            | 3.0                      |
| Total Revenues                                       | <u>212,538</u>               | <u>100.0</u>             | <u>195,631</u>   | <u>100.0</u>             | <u>182,973</u>   | <u>100.0</u>             |
| <b>EXPENDITURES</b>                                  |                              |                          |                  |                          |                  |                          |
| Salaries and Benefits                                |                              |                          |                  |                          |                  |                          |
| Certificated salaries                                | 100,613                      | 49.1                     | 95,952           | 49.1                     | 91,928           | 50.2                     |
| Classified salaries                                  | 32,574                       | 15.3                     | 30,659           | 15.7                     | 28,557           | 15.6                     |
| Employee benefits                                    | 37,627                       | 18.6                     | 36,283           | 18.6                     | 34,394           | 18.8                     |
| Total Salaries<br>and Benefits                       | 170,814                      | 83.0                     | 162,894          | 83.4                     | 154,879          | 84.6                     |
| Books and supplies                                   | 9,475                        | 4.5                      | 8,679            | 4.4                      | 8,863            | 4.8                      |
| Contracts and operating expenses                     | 20,041                       | 9.4                      | 17,866           | 9.1                      | 15,675           | 8.6                      |
| Capital outlay                                       | 1,229                        | 0.6                      | 714              | 0.4                      | 471              | 0.3                      |
| Other outgo                                          | 2,745                        | 1.3                      | (676)            | (0.3)                    | 677              | 0.4                      |
| Debt service - interest and other                    | 349                          | -                        | 307              | -                        | -                | -                        |
| Total Expenditures                                   | <u>204,653</u>               | <u>98.8</u>              | <u>189,784</u>   | <u>97.0</u>              | <u>180,565</u>   | <u>98.7</u>              |
| <b>EXCESS OF REVENUES<br/>OVER EXPENDITURES</b>      | 7,885                        | 1.2                      | 5,847            | 3.0                      | 2,408            | 1.3                      |
| <b>OTHER FINANCING<br/>SOURCES (USES)</b>            |                              |                          |                  |                          |                  |                          |
| Net financing sources/(uses)                         | 575                          | (3.0)                    | (5,772)          | (3.0)                    | (2,806)          | (1.5)                    |
| <b>INCREASE (DECREASE)<br/>IN FUND BALANCE</b>       | 8,460                        | <u>(1.8)</u>             | 75               | <u>0.0</u>               | (398)            | <u>(0.2)</u>             |
| FUND BALANCE, BEGINNING                              | 12,735                       |                          | 12,660           |                          | 13,058           |                          |
| FUND BALANCE, ENDING                                 | <u>\$ 21,195</u>             |                          | <u>\$ 12,735</u> |                          | <u>\$ 12,660</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, 2007**

(Amounts in thousands)

|                                       | Actual Results for the Years |                    |                 |                    |                 |                    |
|---------------------------------------|------------------------------|--------------------|-----------------|--------------------|-----------------|--------------------|
|                                       | 2006-2007                    |                    | 2005-2006       |                    | 2004-2005       |                    |
|                                       | Amount                       | Percent of Revenue | Amount          | Percent of Revenue | Amount          | Percent of Revenue |
| <b>REVENUES</b>                       |                              |                    |                 |                    |                 |                    |
| Federal - NSLP                        | \$ 3,569                     | 52.7               | \$ 3,294        | 50.8               | \$ 2,780        | 48.3               |
| State meal program                    | 230                          | 3.4                | 197             | 3.0                | 182             | 3.2                |
| Food sales                            | 2,920                        | 43.1               | 2,947           | 45.5               | 2,761           | 48.0               |
| Other                                 | 53                           | 0.8                | 46              | 0.7                | 28              | 0.5                |
| Total Revenues                        | <u>6,772</u>                 | <u>100.0</u>       | <u>6,484</u>    | <u>100.0</u>       | <u>5,751</u>    | <u>100.0</u>       |
| <b>EXPENDITURES</b>                   |                              |                    |                 |                    |                 |                    |
| Salaries and employee benefits        | 2,971                        | 43.9               | 2,780           | 42.9               | 2,616           | 45.5               |
| Food                                  | 3,208                        | 47.4               | 3,076           | 47.4               | 2,632           | 45.8               |
| Supplies                              | 314                          | 4.6                | 363             | 5.6                | 255             | 4.4                |
| Other                                 | 324                          | 4.8                | 498             | 7.7                | 447             | 7.8                |
| Total Expenditures                    | <u>6,817</u>                 | <u>100.7</u>       | <u>6,717</u>    | <u>103.6</u>       | <u>5,950</u>    | <u>103.5</u>       |
| DECREASE IN FUND BALANCE              | <u>(45)</u>                  | <u>(0.7)</u>       | <u>(233)</u>    | <u>(3.6)</u>       | <u>(199)</u>    | <u>(3.5)</u>       |
| FUND BALANCE, BEGINNING               | <u>1,558</u>                 |                    | <u>1,791</u>    |                    | <u>1,990</u>    |                    |
| FUND BALANCE, ENDING                  | <u>\$ 1,513</u>              |                    | <u>\$ 1,558</u> |                    | <u>\$ 1,791</u> |                    |
| ENDING FUND BALANCE TO TOTAL REVENUES |                              | <u>22.3</u>        |                 | <u>24.0</u>        |                 | <u>31.1</u>        |

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

|                         | 2006-2007        |              | 2005-2006        |              | 2004-2005        |              |
|-------------------------|------------------|--------------|------------------|--------------|------------------|--------------|
|                         | Amount           | Percent      | Amount           | Percent      | Amount           | Percent      |
| <b>TYPE 'A' LUNCHES</b> |                  |              |                  |              |                  |              |
| Paid                    | 788,166          | 42.4         | 763,192          | 42.3         | 757,541          | 43.7         |
| Reduced price           | 285,454          | 14.9         | 269,231          | 14.9         | 219,022          | 12.6         |
| Free                    | 785,554          | 42.8         | 770,765          | 42.8         | 756,888          | 43.7         |
| Total Lunches           | <u>1,859,174</u> | <u>100.1</u> | <u>1,803,188</u> | <u>100.0</u> | <u>1,733,451</u> | <u>100.0</u> |
| <b>BREAKFAST</b>        |                  |              |                  |              |                  |              |
| Paid                    | 106,303          | 20.0         | 112,414          | 21.5         | 109,671          | 22.4         |
| Reduced price           | 105,734          | 19.9         | 100,208          | 19.1         | 75,778           | 15.5         |
| Free                    | 319,852          | 60.1         | 310,722          | 59.4         | 305,023          | 62.1         |
| Total Breakfast         | <u>531,889</u>   | <u>100.0</u> | <u>523,344</u>   | <u>100.0</u> | <u>490,472</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, 2007

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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, 2007, which collectively comprise Placentia-Yorba Linda Unified School District's basic financial statements and have issued our report thereon dated November 12, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Placentia-Yorba Linda Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Placentia-Yorba Linda Unified School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

## 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*.

We noted certain matters that we reported to management of Placentia-Yorba Linda Unified School District in a separate letter dated November 12, 2007.

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, Jones, Day & Co., LLP

Rancho Cucamonga, California  
November 12, 2007



**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, 2007. 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, 2007.

## 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Placentia-Yorba Linda Unified School District's internal control over compliance.

A *control deficiency* in a district's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

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

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

*Varunak, Irvine, Day + Co., LLP*

Rancho Cucamonga, California  
November 12, 2007



**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, 2007, and have issued our report thereon dated November 12, 2007. 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 2006-07*, 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:

|                                            | <u>Procedures in<br/>Audit Guide</u> | <u>Procedures<br/>Performed</u> |
|--------------------------------------------|--------------------------------------|---------------------------------|
| Attendance Accounting:                     |                                      |                                 |
| Attendance reporting                       | 8                                    | Yes                             |
| Kindergarten continuance                   | 3                                    | Yes                             |
| Independent study                          | 23                                   | Yes                             |
| Continuation education                     | 10                                   | Yes                             |
| Adult education                            | 9                                    | Yes                             |
| Regional occupational centers and programs | 6                                    | No, see below                   |
| Instructional Time:                        |                                      |                                 |
| School districts                           | 6                                    | Yes                             |
| County offices of education                | 3                                    | Not applicable                  |
| Community day schools                      | 9                                    | Not applicable                  |
| Morgan-Hart Class Size Reduction           | 7                                    | Not applicable                  |

|                                                                                           | <u>Procedures in<br/>Audit Guide</u> | <u>Procedures<br/>Performed</u> |
|-------------------------------------------------------------------------------------------|--------------------------------------|---------------------------------|
| 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                  |
| Excess sick leave                                                                         | 3                                    | Yes                             |
| Notice of right to elect California State Teachers Retirement System (CalSTRS) membership | 1                                    | Yes                             |
| Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)                              | 2                                    | Yes                             |
| State Lottery Funds (California State Lottery Act of 1984)                                | 2                                    | Yes                             |
| California School Age Families Education (Cal-SAFE) Program                               | 3                                    | Yes                             |
| School Accountability Report Card                                                         | 3                                    | Yes                             |
| 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                  |
| Mode of instruction                                                                       | 1                                    | Not applicable                  |
| Non classroom-based instruction/independent study                                         | 15                                   | 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 one was performed for the Alternative Pension Plans; however, as the District has no such plan, step two 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.

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

Rancho Cucamonga, California  
November 12, 2007

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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, 2007**

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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>            |
| Significant deficiencies 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>            |
| Significant deficiencies 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 Number(s)</u>         | <u>Name of Federal Program or Cluster</u>           |
|-------------------------------|-----------------------------------------------------|
| <u>10.550, 10.553, 10.555</u> | <u>Child Nutrition Cluster</u>                      |
| <u>84.367</u>                 | <u>Title II, Part A - Improving Teacher Quality</u> |
| <u> </u>                      | <u> </u>                                            |
| <u> </u>                      | <u> </u>                                            |

|                                                                          |                   |
|--------------------------------------------------------------------------|-------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$ 397,481</u> |
| Auditee qualified as low-risk auditee?                                   | <u>Yes</u>        |

**STATE AWARDS**

|                                                                               |                      |
|-------------------------------------------------------------------------------|----------------------|
| Internal control over State programs:                                         |                      |
| Material weaknesses identified?                                               | <u>No</u>            |
| Significant deficiencies 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, 2007**

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None reported.

**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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None reported.

**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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None reported.

**PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2007**

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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, 2007, 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 November 12, 2007, on the combining financial statements of Placentia-Yorba Linda Unified School District.

*ASSOCIATED STUDENT BODY*

*Kraemer Middle School and El Camino Real Continuation High School*

*Cash Receipting and Reconciliation*

Observation

Cash collections are being verified and receipted at the time of deposit, rather than at the time of the collection of the money by the bookkeeper. As a result, sufficient controls do not exist with regards to cash collections, since funds on hand, if lost or stolen, could not be verified.

Recommendation

To strengthen the procedures over cash collections, all cash should be verified and receipted at the time the money is turned over to the bookkeeper. This procedure prevents and avoids any dispute over the amount of cash submitted by the person turning in the funds to the ASB office. The immediate receipting process is also a tool for the bookkeeper to reconcile the cash awaiting deposit to the receipts issued since the last bank deposit. The current system would not disclose that funds have been misplaced or stolen since the cash on hand at the date of the deposit would be the only funds receipted and accounted for.

*Kraemer Middle School*

*Disbursements*

Observation

We noted the following issues regarding the disbursements with the student body funds:

1. All eight transactions reviewed did not have their approvals documented in the ASB minutes.
2. One of the eight transactions reviewed did not have the required three approval signatures indicating the purchase was authorized.
3. Four out of eight transactions reviewed did not have receiving documentation.

Recommendation

1. All expenditures, prior to the items being purchased, should be approved by the student council to ensure that the proper funding is available. This will ensure that deficit spending is not performed, and that items being purchased are student approved items. An ASB council minutes log should be printed regularly and kept on file. The ASB should have a paper copy of ASB minutes on file at all times.
2. The site should review the cash disbursement procedures outlined in the California Department of Education's manual titled, "Accounting and Procedures for Student Organizations." The manual explains that three signatures, these including a District representative, a student representative and an advisor, are required pursuant to California Educational Code Section 48933(5) (b) on all disbursements from a student body account.
3. All expenditures should indicate whether the items purchased have been received. This may be noted with a stamp, signature, packing slip, etc. This reduces the risk of items being paid for but not received.

*Valencia High School*

*Disbursements*

Observation

Three expenses incurred during the summer session (school is not yet in session) were not approved by ASB council. The disbursement requests were only approved by the principal and the ASB advisor. In addition, four out of twenty-one disbursements were approved after the purchase was made.

Recommendation

All purchases made with ASB funds should be approved by the ASB council prior to purchases being made. Disbursement requests should be approved prior to the end of the school year by the ASB council for expenses that will be incurred during the summer months.



*Revenue Potential*

Observation

Revenue potential forms are not being used to document and control club fundraising activities as they occur.

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. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure 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 moneys due and so forth.

*Inventory*

Observation

The controls and procedures in place at the student store are not sufficient to safeguard merchandise. Specifically, the storage rooms, where the inventories were kept, were open during the entire day. This makes the room easily accessible by ASB students as well as staff.

Recommendation

The site should restrict the access of the storage room by keeping it locked at all times.

Governing Board  
Placentia-Yorba Linda Unified School District

*Inventory Record*

Observation

The site does not maintain a perpetual inventory record, nor does the site perform physical inventory count.

Recommendations

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. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been lost or stolen. In addition, a perpetual inventory should also be maintained noting the amount of inventory purchased and sold. A reconciliation of the perpetual record and physical inventory count should be performed each time an inventory count takes place.

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

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

Rancho Cucamonga, California  
November 12, 2007