

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

GENERAL OBLIGATION BONDS

MEASURE Y

FINANCIAL AUDIT

JUNE 30, 2009

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**BUILDING FUND - MEASURE Y
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FOR THE YEAR ENDED JUNE 30, 2009**

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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 Building Fund - Measure Y of the Placentia-Yorba Linda Unified School District (the District) as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Building Fund - Measure Y and are not intended to present fairly the financial position and results of operations of the Placentia-Yorba Linda Unified School District in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Building Fund - Measure Y of the Placentia-Yorba Linda Unified School District at June 30, 2009, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 2, 2009

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**BUILDING FUND - MEASURE Y
BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2009**

ASSETS

Deposits and investments	\$ 3,578,087
Receivables	4,749
Due from other funds	150,259
Total Assets	<u><u>\$ 3,733,095</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 328,820
Due to other funds	3,207,486
Total Liabilities	<u><u>3,536,306</u></u>

FUND BALANCE

Unreserved	
Capital projects fund	196,789
Total Fund Balance	<u><u>196,789</u></u>
Total Liabilities and Fund Balance	<u><u>\$ 3,733,095</u></u>

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

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**BUILDING FUND - MEASURE Y
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009**

REVENUES

Local income	
Interest income	\$ 104,126
Total Revenues	<u>104,126</u>

EXPENDITURES

Services	
Materials and supplies	458,063
Noncapitalized equipment	445,814
Contracted services	227,864
Capital outlay	
Site support costs	133
Site construction costs	26,147
Construction management	955,159
Construction costs/site improvements	2,602,479
Other planning costs	40,515
Interim housing	(9,885)
Labor compliance	13,860
Architects fees	34,916
Plan check fees	135
Equipment	168,440
Total Expenditures	<u>4,963,640</u>

NET CHANGE IN FUND BALANCE (4,859,514)

FUND BALANCE - BEGINNING 5,056,303

FUND BALANCE - ENDING \$ 196,789

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

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**BUILDING FUND - MEASURE Y
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Local income			
Interest income	\$ 104,126	\$ 104,126	\$ -
Total Revenues	<u>104,126</u>	<u>104,126</u>	<u>-</u>
EXPENDITURES			
Services			
Materials and supplies	507,402	458,063	49,339
Noncapitalized equipment	369,732	445,814	(76,082)
Rental of equipment	344,093	-	344,093
Contracted services	182,751	227,864	(45,113)
Capital outlay			
Site support costs	133	133	-
Site construction costs	11,089	26,147	(15,058)
Construction management	917,911	955,159	(37,248)
Construction costs/site improvements	1,024,646	2,602,479	(1,577,833)
Other planning costs	21,096	40,515	(19,419)
Interim housing	23,662	(9,885)	33,547
Inspections	5,791	-	5,791
Labor compliance	13,860	13,860	-
Architects fees	123,376	34,916	88,460
Plan check fees	2,817	135	2,682
Equipment	110,000	168,440	(58,440)
Total Expenditures	<u>3,658,359</u>	<u>4,963,640</u>	<u>(1,305,281)</u>
NET CHANGE IN FUND BALANCE	<u>(3,554,233)</u>	<u>(4,859,514)</u>	<u>(1,305,281)</u>
FUND BALANCE - BEGINNING	<u>5,056,303</u>	<u>5,056,303</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 1,502,070</u>	<u>\$ 196,789</u>	<u>\$ (1,305,281)</u>

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

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

BUILDING FUND - MEASURE Y NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Placentia-Yorba Linda Unified School District (the District) Building Fund - Measure Y conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The Placentia-Yorba Linda Unified School District Building Fund accounts for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

Financial Reporting Entity

The financial statements include only the Building Fund 21 of the Placentia-Yorba Linda Unified School District used to account for Measure Y projects. This Fund was established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2002. These financial statements are not intended to present fairly the financial position and results of operations of the Placentia-Yorba Linda Unified School District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Building Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The Building Fund is 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.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. It is this final revised budget that is presented in these financial statements. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**BUILDING FUND - MEASURE Y
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not available for appropriation or amounts legally segregated for a specific future use. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

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 for the District. The District recognizes tax revenues when received.

Use of Estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS

Investments at June 30, 2009, held on behalf of the Building Fund of the Placentia-Yorba Linda Unified School District consist of deposits in the County of Orange Treasury:

	Reported Amount	Fair Value
Deposits with county treasurer	<u>\$ 3,578,087</u>	<u>\$ 3,584,481</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

BUILDING FUND - MEASURE Y NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Policies and Procedures

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.

Investments in County Treasury

The District is considered to be an involuntary participant in an external investments 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.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**BUILDING FUND - MEASURE Y
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

General Authorizations

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

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

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 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	Reported Amount	Fair Value	Average Maturity in Days
County Treasury Investment Pool	\$ 3,578,087	\$ 3,584,481	266

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**BUILDING FUND - MEASURE Y
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

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. The investment with the Orange County Investment Pool is rated AAA by Moody's Investor Service.

NOTE 3 – RECEIVABLES

Receivables at June 30, 2009, consist of the following:

Interest	<u>\$ 4,749</u>
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NOTE 4 – INTERFUND TRANSACTIONS (DUE TO/DUE FROM)

The interfund receivable balance at June 30, 2009 was due from the following fund:

Building Fund Measure A - for reimbursement of qualified project costs.	<u>\$ 150,259</u>
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The interfund payable balance at June 30, 2009 was due to the following funds:

General Fund - for payroll project costs.	\$ 2,464
Building Fund Measure A - for reimbursement of qualified project costs.	1,173,987
County School Facilities Fund - for reimbursement of qualified project costs.	1,235,056
Capital Facilities Fund - for reimbursement of qualified project costs.	784,445
Internal Service Fund - for health and welfare benefits paid for end of year payroll.	11,534
	<u>\$ 3,207,486</u>

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2009, consists of the following:

Services	\$ 20,075
Construction	308,745
	<u>\$ 328,820</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**BUILDING FUND - MEASURE Y
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 6 – GENERAL LONG-TERM OBLIGATIONS

Summary

Changes in the District's Measure Y Bonds during the year were as follows:

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009	Due in One Year
2002 General obligation bonds					
Series A	\$ 4,950,002	\$ 115,651	\$ 350,000	\$ 4,715,653	\$ 500,000
Unamortized premium	559,786	-	29,463	530,323	-
Series B	27,365,031	139,742	550,000	26,954,773	595,000
Unamortized premium	2,001,576	-	95,313	1,906,263	-
Series C	27,040,014	82,283	275,000	26,847,297	300,000
Unamortized premium	2,036,223	-	96,963	1,939,260	-
Series 2006	34,700,412	1,943,258	2,480,019	34,163,651	2,376,405
Unamortized premium	3,726,456	-	225,504	3,500,952	-
	<u>\$ 102,379,500</u>	<u>\$ 2,280,934</u>	<u>\$ 4,102,262</u>	<u>\$ 100,558,172</u>	<u>\$ 3,771,405</u>

Payments on the General Obligation Bonds are made by the District's Bond Interest and Redemption Fund with local revenues.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2008	Accreted	Redeemed	Outstanding June 30, 2009
6/1/02	8/1/26	1.65 - 6.87	\$ 44,997,800	\$ 4,950,002	\$ 115,651	\$ 350,000	\$ 4,715,653
5/1/04	8/1/28	1.70 - 5.94	29,999,744	27,365,031	139,742	550,000	26,954,773
5/5/05	8/1/29	2.70 - 5.22	26,999,610	27,040,014	82,283	275,000	26,847,297
12/8/05	8/1/24	3.06 - 4.35	35,728,410	34,700,412	1,943,258	2,480,019	34,163,651
				<u>\$ 94,055,459</u>	<u>\$ 2,280,934</u>	<u>\$ 3,655,019</u>	<u>\$ 92,681,374</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

BUILDING FUND - MEASURE Y NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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. At June 30, 2009, the principal balance outstanding (including accreted interest to date) was \$4,715,653 and unamortized premium was \$530,323. The premium is amortized over the life of the bonds as a component of interest expense on the bonds.

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. At June 30, 2009, the principal balance outstanding (including accreted interest to date) was \$26,954,773 and unamortized premium was \$1,906,263. The premium is amortized over the life of the bonds as a component of interest expense on the bonds.

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. At June 30, 2009, the principal balance outstanding (including accreted interest to date) was \$26,847,297 and unamortized premium was \$1,939,260. The premium is amortized over the life of the bonds as a component of interest expense on the bonds.

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. At June 30, 2009, the principal balance outstanding (including accreted interest to date) was \$34,163,651 and unamortized premium was \$3,500,952. The premium is amortized over the life of the bonds as a component of interest expense on the bonds.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**BUILDING FUND - MEASURE Y
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

Debt Service Requirements to Maturity

The bonds mature through 2032 as follows:

Fiscal Year	Principal	Interest to Maturity Including Accreted Interest	Total
2010	\$ 3,771,405	\$ 4,594,805	\$ 8,366,210
2011	3,846,731	4,508,728	8,355,459
2012	3,872,254	4,411,059	8,283,313
2013	4,085,468	4,298,613	8,384,081
2014	3,951,436	4,127,504	8,078,940
2015-2019	20,797,394	19,417,084	40,214,478
2020-2024	23,455,685	11,540,014	34,995,699
2025-2029	23,048,704	12,050,536	35,099,240
2030-2032	5,852,297	4,772,703	10,625,000
Total	<u>\$ 92,681,374</u>	<u>\$ 69,721,046</u>	<u>\$ 162,402,420</u>

NOTE 7 – COMMITMENTS AND CONTINGENCIES

As of June 30, 2009, the Building Fund - Measure Y had the following commitments with respect to unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
New Construction		
YLH New High School Project	<u>\$ 15,103,214</u>	06/30/09