

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

GENERAL OBLIGATION BONDS

MEASURE A

FINANCIAL AUDIT

JUNE 30, 2010

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**BUILDING FUND - MEASURE A
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JUNE 30, 2010**

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Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants

VALUE THE DIFFERENCE

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 A of the Placentia-Yorba Linda Unified School District (the District) as of and for the year ended June 30, 2010, 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 A 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 A of the Placentia-Yorba Linda Unified School District at June 30, 2010, 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 1, 2010

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**BUILDING FUND - MEASURE A
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010**

REVENUES

Local income	
Interest income	\$ 947,447
Total Revenues	<u>947,447</u>

EXPENDITURES

Services	
Salaries and benefits	555,581
Materials and supplies	2,622,165
Noncapitalized equipment	3,000,195
Rental of equipment	1,666
Contracted services	98,257
Capital outlay	
Site support costs	9,800
Site construction costs	343,592
Surveys/preliminary tests	161,629
Construction management	4,732,040
Construction costs/site improvements	17,628,384
Other planning costs	294,320
Interim housing	1,422,312
Inspections	379,709
Labor compliance	5,860
Architects fees	3,227,178
Plan check fees	290,027
Equipment	220,117
Total Expenditures	<u>34,992,832</u>

EXCESS OF EXPENDITURES OVER REVENUES (34,045,385)

Other Financing Sources (Uses)

Other sources - bond proceeds	79,993,547
Transfers out - bond interest and redemption fund	(12,595)
Net Financing Sources	<u>79,980,952</u>

NET CHANGE IN FUND BALANCE 45,935,567

FUND BALANCE - BEGINNING 50,522,358

FUND BALANCE - ENDING \$ 96,457,925

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

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**BUILDING FUND - MEASURE A
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Local income			
Interest income	\$ 890,000	\$ 947,447	\$ 57,447
Total Revenues	<u>890,000</u>	<u>947,447</u>	<u>57,447</u>
EXPENDITURES			
Services			
Salaries and benefits	711,313	555,581	155,732
Materials and supplies	2,582,211	2,622,165	(39,954)
Noncapitalized equipment	2,923,522	3,000,195	(76,673)
Rental of equipment	1,360	1,666	(306)
Contracted services	80,904	98,257	(17,353)
Capital outlay			
Site support costs	9,800	9,800	-
Site construction costs	343,592	343,592	-
Surveys/preliminary tests	208,849	161,629	47,220
Construction management	3,463,525	4,732,040	(1,268,515)
Construction costs/site improvements	25,578,882	17,628,384	7,950,498
Other planning costs	143,374	294,320	(150,946)
Interim housing	1,354,149	1,422,312	(68,163)
Inspections	154,140	379,709	(225,569)
Labor compliance	5,860	5,860	-
Architects fees	4,072,609	3,227,178	845,431
Plan check fees	266,169	290,027	(23,858)
Equipment	340,585	220,117	120,468
Total Expenditures	<u>42,240,844</u>	<u>34,992,832</u>	<u>7,248,012</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(41,350,844)</u>	<u>(34,045,385)</u>	<u>7,305,459</u>
Other Financing Sources (Uses)			
Other sources - bond proceeds	79,993,547	79,993,547	-
Transfers out	(12,595)	(12,595)	-
Net Financing Sources	<u>79,980,952</u>	<u>79,980,952</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	38,630,108	45,935,567	7,305,459
FUND BALANCE - BEGINNING	50,522,358	50,522,358	-
FUND BALANCE - ENDING	<u>\$ 89,152,466</u>	<u>\$ 96,457,925</u>	<u>\$ 7,305,459</u>

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

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

BUILDING FUND - MEASURE A NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Placentia-Yorba Linda Unified School District (the District) Building Fund – Measure A 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 A projects. This Fund was established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2008. 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 A
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010, held on behalf of the Building Fund - Measure A of the Placentia-Yorba Linda Unified School District consists of deposits in the County of Orange Treasury:

	<u>Reported Amount</u>	<u>Fair Value</u>
Deposits with County Treasurer	<u>\$ 103,780,003</u>	<u>\$ 103,715,556</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

BUILDING FUND - MEASURE A NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

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 A NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

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	\$ 103,780,003	\$ 103,715,556	304

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**BUILDING FUND - MEASURE A
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010, consist of the following:

Interest	<u>\$ 80,349</u>
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NOTE 4 – INTERFUND TRANSACTIONS (DUE TO/DUE FROM)

The interfund receivable balance at June 30, 2010, was due from the following fund:

General Fund - for reimbursement of salaries and benefit related costs.	\$ 103,927
Capital Facilities Fund - for reimbursement of qualified project costs.	57,042
	<u>\$ 160,969</u>

The interfund payable balance at June 30, 2010, was due to the following funds:

General Fund - for reimbursement of salaries and benefit related costs paid for end of year payroll.	\$ 61,872
General Fund - for reimbursement of project costs ordered through warehouse.	80,177
Special Reserve Capital Fund - for reimbursement of qualified project costs.	10,409
Internal Service Fund - for reimbursement of health and welfare costs paid for end of year payroll.	6,017
	<u>\$ 158,475</u>

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**BUILDING FUND - MEASURE A
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2010, consists of the following:

Salaries and benefits	\$ 35,452
Services	10,437
Other payables	8,988
Construction	7,350,044
	<u>\$ 7,404,921</u>

NOTE 6 – GENERAL LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010	Due in One Year
2008 General obligation bonds					
Series A	\$ 80,000,000	\$ -	\$ 2,650,000	\$ 77,350,000	\$ 3,100,000
Unamortized premium	2,277,267	-	179,107	2,098,160	-
Series B	-	26,958,366	-	26,958,366	-
Series C	-	28,500,000	-	28,500,000	-
Unamortized premium	-	2,210,600	69,081	2,141,519	-
Series Q	-	25,000,000	-	25,000,000	-
	<u>\$ 82,277,267</u>	<u>\$ 82,668,966</u>	<u>\$ 2,898,188</u>	<u>\$ 162,048,045</u>	<u>\$ 3,100,000</u>

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

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**BUILDING FUND - MEASURE A
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2009	Issued	Accreted	Redeemed	Outstanding June 30, 2010
5/8/08	8/1/32	2.03 - 4.68	\$ 80,000,000	\$ 80,000,000	\$ -	\$ -	\$ 2,650,000	\$ 77,350,000
10/7/09	8/1/41	5.82-6.35	\$ 26,493,547	-	26,493,547	464,819	-	26,958,366
10/7/09	8/1/34	6.55-6.65	\$ 28,500,000	-	28,500,000	-	-	28,500,000
5/18/10	8/1/26	5.31-5.79	\$ 25,000,000	-	25,000,000	-	-	25,000,000
				<u>\$ 80,000,000</u>	<u>\$ 79,993,547</u>	<u>\$ 464,819</u>	<u>\$ 2,650,000</u>	<u>\$ 157,808,366</u>

2008 General Obligation Bonds, Series A

In May 2008, the District issued General Obligation Bonds in the amount of \$80,000,000. The bonds mature through August 2032, with interest yields from 2.03 to 4.68 percent. The bonds were issued for the purpose of improving school facilities, upgrading technology, and constructing additional classroom and student performance facilities. At June 30, 2010, the principal balance outstanding was \$77,350,000 and unamortized premium was \$2,098,160. The premium is amortized over the life of the bonds as a component of interest expense on the bonds.

2008 General Obligation Bonds, Series B and C

In October 2009, the District issued \$26,493,547 of Series B bonds as capital appreciation bonds and \$28,500,000 of Series C bonds as current interest bonds. The Series B bonds mature through August 2041 with interest yields from 5.82 to 6.35 percent. The Series C bonds mature through August 2034 with interest yields from 6.55 to 6.65 percent. The bonds were issued for the purpose of improving school facilities, upgrading technology, and constructing additional classroom and student performance facilities. At June 30, 2010, the principal balance outstanding was \$26,958,366 and \$28,500,000, respectively, for the Series B and Series C bonds (including accreted interest to date) and unamortized premium was \$2,141,519. The premium is amortized over the life of the bonds as a component of interest expense on the bonds.

2008 General Obligation Bonds, Series Q

In May 2010, the District issued \$25,000,000 of Series Q bonds as current interest bonds and designated as "qualified school construction bonds". The bonds mature through August 2026 with interest yields from 5.31 to 5.79 percent. The bonds were issued for the purpose of improving school facilities, upgrading technology, and constructing additional classroom and student performance facilities. At June 30, 2010, the principal balance outstanding was \$25,000,000.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**BUILDING FUND - MEASURE A
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Debt Service Requirements to Maturity

The bonds mature through 2042 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Current Interest</u>	<u>Total</u>
2011	\$ 3,100,000	\$ -	\$ 6,175,492	\$ 9,275,492
2012	1,350,000	-	6,990,150	8,340,150
2013	1,500,000	-	6,938,775	8,438,775
2014	1,675,000	-	6,885,088	8,560,088
2015	1,850,000	-	6,823,400	8,673,400
2016-2020	6,200,000	-	33,353,656	39,553,656
2021-2025	31,725,000	-	28,455,094	60,180,094
2026-2030	42,125,501	3,699,499	18,843,456	64,668,456
2031-2035	49,865,550	20,538,979	6,386,844	76,791,373
2036-2040	14,797,107	70,019,049	-	84,816,156
2041-2042	3,620,208	36,484,800	-	40,105,008
Total	\$ 157,808,366	\$ 130,742,327	\$ 120,851,955	\$ 409,402,648

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT

**BUILDING FUND - MEASURE A
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 7 – COMMITMENTS AND CONTINGENCIES

As of June 30, 2010, the Building Fund - Measure A had the following commitments with respect to unfinished capital projects:

Description	As Of 06/30/10 Remaining Construction Commitment	Expected Date of Completion
Smart Classroom Projects		
Morse Elementary School	\$ 15,663	09/30/10
Rio Vista Elementary School	21,997	09/30/10
Rose Drive Elementary School	14,132	09/30/10
Topaz Elementary School	17,000	09/30/10
Travis Ranch Elementary School	47,980	09/30/10
Tynes Elementary School	38,271	09/30/10
Esperanza High School	38,178	01/31/11
Kraemer Middle School	21,900	01/31/11
Travis Ranch Middle School	22,169	01/31/11
Valencia High School	41,341	01/31/11
Yorba Linda High School	39,202	01/31/11
Yorba Linda Middle School	78,051	01/31/11
Modernization Projects		
Mabel Paine Elementary School HVAC	518,142	08/31/10
Valencia High School HVAC	809,004	08/31/10
Esperanza High School Field Upgrades	878,995	09/30/10
Esperanza High School West Campus	197,365	09/30/10
Tuffree Middle School - Restroom Improvements	78,051	09/30/10
Valencia High School Mens Locker Room	73,940	09/30/10
George Key School - HVAC	618,924	12/31/10
Rio Vista Elementary School - Restroom Improvements	215,759	12/31/10
Ruby Elementary School - Multipurpose Room Expansion	204,934	12/31/10
Valencia High School New Classroom Wing	5,716,114	01/31/11
Kraemer Middle School - Facility Improvements	3,256,008	02/28/11
Yorba Linda High School Stadium Facility	2,710,689	04/30/11
Valencia High School Stadium Facility Improvement	2,042,380	05/31/11
Van Buren Elementary School - New Classroom Wing	3,932,276	05/31/11
Yorba Linda High School Pool Facility	3,047,285	05/31/11
Rio Vista Elementary School - New Classroom Wing	1,898,507	06/30/11
	<u>\$ 26,594,257</u>	