

**CONEJO VALLEY UNIFIED
SCHOOL DISTRICT**

COUNTY OF VENTURA

**THOUSAND OAKS, CALIFORNIA
AUDIT REPORT**

FISCAL YEAR ENDED JUNE 30, 2005

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CONEJO VALLEY UNIFIED SCHOOL DISTRICT

Thousand Oaks, California

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
AND SUPPLEMENTARY INFORMATION**

Fiscal Year Ended June 30, 2005

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**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS**

Page

FINANCIAL SECTION

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-11
Basic financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13-14
Fund Financial Statements:	
Balance Sheet – Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (GAAP) – General Fund	19
Statement of Fund Net Assets – Proprietary Fund	20
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund	21
Statement of Cash Flows – Proprietary Fund	22
Statement of Fiduciary Net Assets – Fiduciary Funds	23
Notes to the Basic Financial Statements	24-45

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS**

Page

COMBINING STATEMENTS AND INDIVIDUAL FUND SCHEDULES:

Combining Statements – Nonmajor Funds:

Combining Balance Sheet – Nonmajor Special Revenue Funds	46
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	47
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual: - Nonmajor Special Revenue Funds	48-51
Combining Balance Sheet – Nonmajor Capital Projects Funds	52
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Projects Funds	53
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual: - Nonmajor Capital Projects Funds	54-55
Combining Balance Sheet – Nonmajor Debt Service Fund	56
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Debt Service Funds	57
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual: - Nonmajor Debt Service Fund	58
Combining Balance Sheet – All Agency Funds	59
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	60

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS**

Page

SUPPLEMENTARY INFORMATION SECTION

Organization	61
Schedule of Average Daily Attendance	62
Schedule of Instructional Time	63
Schedule of Financial Trends and Analysis	64-65
Schedule of Expenditures of Federal Awards	66
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	67
Notes to Supplementary Information	68

OTHER REPORTS SECTION

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	69-70
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	71-72
Report of Independent Auditors on State Compliance	73-74

FINDINGS AND RECOMMENDATIONS SECTION

Schedule of Audit Findings and Questioned Costs	75-80
Summary Schedule of Prior Audit Findings	81-83

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Education
Conejo Valley Unified School District
1400 East Janss Road
Thousand Oaks, California 91362

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, and each major fund of the Conejo Valley Unified School District (the "District"), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

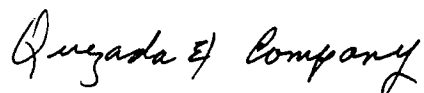
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that 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 the 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.

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, the aggregate discretely presented component unit, and each major fund of the District, as of June 30, 2005, and the respective changes in financial position and cash flow, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with the Government Auditing Standards, we have also issued our report dated December 22, 2005, on our consideration of the District internal control over financial reporting and 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 assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the District. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. The combining and individual non-major fund financial statements and supplementary section, including the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Deloitte & Touche".

Pasadena, California
December 22, 2005



Conejo Valley Unified School District

BUSINESS SERVICES

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Robert Fraisse, Ph.D
Superintendent

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*Assistant Superintendent
Business Services*

This section of Conejo Valley Unified School District's 2004-2005 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2005. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Conejo Valley Unified School District (the "District") and its component units using the integrated approach as prescribed by GASB Statement Number 34.

The Government-Wide Financial Statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the District as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The Fund Financial Statements include statements for each of the three categories of activities: governmental, business-type, and fiduciary.

The Governmental-Type Activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The Business-Type Activities 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 Conejo Valley Unified School District.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2005**

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets

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 operation 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 and Changes in Net Assets, the District's activities are categorized as follows:

Governmental-type 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.

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.

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

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2005**

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 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. We use internal service 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, scholarships, employee retiree benefits and pensions. The District's fiduciary activities are reported in separate Statement 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 District's net assets were \$50.935 million for the fiscal year ended June 30, 2005. Of this amount, approximately \$15.446 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2005**

	Governmental Activities	Business-Type Activities	School District Activities
Current and other assets	\$ 42.834	\$ -	\$ 42.834
Inventories	0.299	-	0.299
Capital assets (land)	18.671	-	18.671
Depreciable assets (net)	92.258	-	92.258
Total assets	<u>154.062</u>	<u>-</u>	<u>154.062</u>
Current liabilities	20.933	-	20.933
Outstanding debt	82.194	-	82.194
Total liabilities	<u>103.127</u>	<u>-</u>	<u>103.127</u>
Total net assets	<u>\$ 50.935</u>	<u>\$ -</u>	<u>\$ 50.935</u>

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2005**

TABLE 2
CHANGES IN NET ASSETS

	<u>Governmental Activities</u>
Revenues	
Instruction	\$ 20,122,740
Instruction related	1,684,486
Pupil services	6,046,340
General administration	794,626
Plant services	227,688
Ancillary services	2,796
Community services	808,069
Enterprise activities	27,227
Other outgo	567,836
General revenue and subventions	125,179,708
Interest and investment earnings	1,048,441
Miscellaneous	15,412,496
Total revenues	<u>\$ 171,922,453</u>
Expenses	
Instruction	\$ 107,029,685
Instruction related	17,429,965
Pupil services	12,001,419
General administration	8,297,882
Plant services	14,574,990
Ancillary services	1,930,828
Community services	800,883
Enterprise activities	3,593,578
Interest on long-term debt	3,150,794
Other outgo	1,362,509
Depreciation (unallocated)	4,645,585
Total expenses	<u>\$ 174,818,118</u>
Change in net assets	<u><u>\$ (2,895,665)</u></u>

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2005**

Governmental Activities

As reported in Table 2, the cost of all of our governmental activities this year was \$174.818 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$72.542 million because the cost of a portion of our programs was paid by those who benefited from the programs or by other governmental and organizations who subsidized certain programs with grants and contributions.

In Table 3, we have presented the cost of each of the District's seven largest functions - regular program instruction, guidance and counseling, school administration, pupil transportation, administration and maintenance, maintenance and operations and other programs. 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
NET COST OF GOVERNMENTAL ACTIVITIES
(in millions of dollars)**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 107.030	\$ 86.91
Supervision of Instruction	3.214	2.453
Instructional Library, Media and Technology	1.378	1.193
School Site Administrator	12.838	12.099
Home-to-School Transportation	1.582	1.382
Food Services	4.468	0.010
Other Pupil Services	5.952	4.563
Data Processing	1.953	1.951
Other General Administration	6.345	5.553
Plant Services	14.575	14.347
Ancillary Services	1.931	1.928
Community Services	0.801	(0.007)
Enterprise Activities	3.593	3.566
Interest on Long-Term Debt	3.151	3.151
Other Outgo	1.362	0.795
Depreciation (unallocated)	4.645	4.645
Total Governmental-Type Activities	\$ 174.818	\$ 144.536

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2005**

At June 30, 2005, the District had \$110.929 million in a broad range of capital assets, including land, buildings, and furniture and equipment.

	<u>Governmental Activities</u>
Land	\$ 18.671
Buildings and improvements	90.884
Equipment	<u>1.374</u>
Total	<u>\$ 110.929</u>

Major addition included (in millions):

Sycamore Canyon design/construction	\$ 1.957
Modernization projects	8.908
High school stadium projects	4.209

This year's major additions included the construction of Sycamore Canyon School, modernization projects and Thousand Oaks High School pool rehabilitation. Sycamore Canyon School was paid for using Developers Fees, and Modernization projects using General Obligation Bonds, and High School Stadium projects was paid for using Topass Fund and General Obligation Bonds. Several capital and modernization projects are planned for the 2005-2006 year. We anticipate capital additions to be over \$8 million, and modernization projects to be \$7.2 million.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2005**

Long-Term Debt

At the end of this year, the District had \$81.538 million in bonds outstanding versus \$66.433 million last year.

TABLE 5
OUTSTANDING DEBT AT YEAR-END
(in millions of dollars)

	Governmental Activities
General obligation bonds	\$ 81.538
Compensated absences	0.620
Other - energy loans	0.036
Totals	<u>\$ 82.194</u>

The District's general obligation bond rating continues to be "AA-." The State limits the amount of general obligation debt that District's can issue to a formula based on the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$81.538 million is significantly below this \$353.918 million statutorily - imposed limit.

Other obligations include compensated absences, capitalized lease obligations, and energy loans used to augment FEMA revenues used to repair and mitigate earthquake hazards and install energy efficient insulation and lighting systems.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2005**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

1. Revenue limit income.
2. Increases in the growth rate of new student enrollment.
3. Consideration of collective bargaining salary formula.
4. Increases in the cost of employee health and welfare costs.

Expenditures are based on the following forecasts:

	<u>Staffing Ratio</u>	<u>First Month Enrollment</u>
Elementary	19:1 kindergarten - 3rd, 30:1 4th - 5th	9,974
Intermediate	30:1	4,816
High School	30:1	7,180
Special Education	30:1	512
Totals		<u>22,482</u>

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 Dr. Jeff Baarstad, Assistant Superintendent, Business Services, at Conejo Valley Unified School District.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005**

	Government Activities	Business-type Activities	Total	Component Unit Conejo Valley Educational Foundation
Assets				
Cash and cash equivalents	\$ 32,019,794	\$ -	\$ 32,019,794	\$ 151,882
Investments		-	-	-
Accounts receivables	10,814,457	-	10,814,457	44,437
Inventories and prepaid expenses	299,542	-	299,542	-
Capital assets:				
Land	18,671,449	-	18,671,449	-
Land improvement	18,464,490	-	18,464,490	-
Construction in progress	391,826	-	391,826	-
Buildings and improvements	128,027,758	-	128,027,758	-
Furniture and equipment	2,663,028	-	2,663,028	-
Less: accumulated depreciation	(57,289,938)	-	(57,289,938)	-
Total capital assets, net of depreciation	<u>110,928,612</u>	<u>-</u>	<u>110,928,612</u>	<u>-</u>
Total assets	<u>\$ 154,062,405</u>	<u>\$ -</u>	<u>154,062,405</u>	<u>\$ 196,319</u>
Liabilities				
Accounts payable and other current liabilities	\$ 18,308,962	\$ -	\$ 18,308,962	\$ 108,630
Accrued interest	846,730		846,730	
Deferred revenue	1,777,660	-	1,777,660	-
Long-term liabilities:				
Due within one year	5,735,296	-	5,735,296	-
Due after one year	76,458,782	-	76,458,782	-
Total liabilities	<u>\$ 103,127,430</u>	<u>-</u>	<u>103,127,430</u>	<u>\$ 108,630</u>
Net assets				
Invested in capital assets, net of related debt	\$ 28,734,534	\$ -	\$ 28,734,534	\$ -
Restricted for:				
Capital projects	6,754,771	-	6,754,771	-
Unrestricted	15,445,670	-	15,445,670	87,689
Total net assets	<u>\$ 50,934,975</u>	<u>\$ -</u>	<u>\$ 50,934,975</u>	<u>\$ 87,689</u>
Total liabilities and net assets	<u>\$ 154,062,405</u>	<u>\$ -</u>	<u>\$ 154,062,405</u>	<u>\$ 196,319</u>

The notes to the financial statements are an integral part of this statement

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
Government Activities			
Instruction	\$ 107,029,685	\$ 1,045,489	\$ 19,077,251
Instructional-related services:			
Supervision of instruction	3,213,693	-	761,088
Instructional library, media and technology	1,378,256	179,868	5,036
School site administration	12,838,016	-	738,494
Pupil services:			-
Home-to-school transportation	1,581,823	199,894	-
Food services	4,467,976	3,203,521	1,254,368
All other pupil services	5,951,620	14,886	1,373,671
General administration:			
Data processing	1,953,031	-	2,495
All other general administration	6,344,851	175,019	617,112
Plant services	14,574,990	76,472	151,216
Ancillary services	1,930,828	-	2,796
Community services	800,883	-	808,069
Enterprise activities	3,593,578	9,971	17,256
Interest on long-term debt	3,150,794	-	-
Other outgo	1,362,509	-	567,836
Depreciation (unallocated)	4,645,585	-	-
Total governmental activities	<u>\$ 174,818,118</u>	<u>\$ 4,905,120</u>	<u>\$ 25,376,688</u>
Component unit			
Conejo Valley Educational Foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes and subventions:

 Property taxes levied for general purposes

 Property taxes levied for debt services

 Federal and state aid not restricted to specific purposes

 Interest and investment earnings

 Interagency revenues

 Miscellaneous

 Total general revenue

Change in net assets

Net assets - beginning

Net assets - ending

The notes to the financial statements are an integral part of this statement

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Governmental Activities	Business-type Activities	Total	Conejo Valley Educational Foundation
\$	\$ (86,906,945)	\$ -	\$ (86,906,945)	\$ -
-	(2,452,605)	-	(2,452,605)	-
-	(1,193,352)	-	(1,193,352)	-
-	(12,099,522)	-	(12,099,522)	-
-	(1,381,929)	-	(1,381,929)	-
-	(10,087)	-	(10,087)	-
-	(4,563,063)	-	(4,563,063)	-
-	(1,950,536)	-	(1,950,536)	-
-	(5,552,720)	-	(5,552,720)	-
-	(14,347,302)	-	(14,347,302)	-
-	(1,928,032)	-	(1,928,032)	-
-	7,186	-	7,186	-
-	(3,566,351)	-	(3,566,351)	-
-	(3,150,794)	-	(3,150,794)	-
-	(794,673)	-	(794,673)	-
-	(4,645,585)	-	(4,645,585)	-
<u>\$ -</u>	<u>\$ (144,536,310)</u>	<u>\$ -</u>	<u>\$ (144,536,310)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (69,492)</u>
	\$ 66,645,865	\$ -	\$ 66,645,865	\$ -
	5,896,477	-	5,896,477	-
	52,200,084	-	52,200,084	-
	1,048,441	-	1,048,441	-
	437,282	-	437,282	-
	15,412,496	-	15,412,496	138,160
	141,640,645	-	141,640,645	138,160
	(2,895,665)	-	(2,895,665)	68,668
	53,830,640	-	53,830,640	19,021
	<u>\$ 50,934,975</u>	<u>\$ -</u>	<u>\$ 50,934,975</u>	<u>\$ 87,689</u>

The notes to the financial statements are an integral part of this statement

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	General Fund	Building Fund	Capital Facilities Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash in county treasury	\$ 673,442	\$ 13,778,126	\$ 1,690,901	\$ 11,155,018	\$ 27,297,487
Cash on hand and in banks	3,000	-	-	4,510	7,510
Cash in revolving fund	30,000	-	-	-	30,000
Accounts receivable:				-	-
Federal government	1,737,963	-	-	330,869	2,068,832
State government	4,958,064	-	-	159,729	5,117,793
Other sources:			-		
Interest	200,037	107,325	-	60,961	368,323
Other	3,116,175	-	108,249	-	3,224,424
Due from other funds	2,740,350	910,863	580,230	261,857	4,493,300
Stores inventory	201,828	-	-	97,714	299,542
Total assets	\$ 13,660,859	\$ 14,796,314	\$ 2,379,380	\$ 12,070,658	\$ 42,907,211
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 3,670,587	\$ 1,369,621	\$ 311,758	\$ 341,709	\$ 5,693,675
Other current liabilities	152,150	-	-	-	152,150
Due to other funds	1,357,087	657,755	2,160,131	2,013,608	6,188,581
Deferred revenue	1,439,602	17,500	-	320,558	1,777,660
Total liabilities	6,619,426	2,044,876	2,471,889	2,675,875	13,812,066
Fund balances:					
Reserved funds	231,828	-	-	97,715	329,543
Unreserved:					
Designated special purposes	6,754,771	-	-	-	6,754,771
Undesignated funds	54,834	12,751,438	(92,509)	9,297,068	22,010,831
Total fund balances	7,041,433	12,751,438	(92,509)	9,394,783	29,095,145
Total liabilities and fund balances	\$ 13,660,859	\$ 14,796,314	\$ 2,379,380	\$ 12,070,658	\$ 42,907,211

The notes to the financial statements are an integral part of this statement

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005**

Total fund balances - governmental funds		\$ 29,095,145
Amount reported for governmental activities are not financial resources and capital assets therefore are not reported as assets in governmental funds. The cost of the assets is \$168,218,551 and the accumulated depreciation is \$57,289,939.		110,928,612
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On government-wide statements, unmatured interest on long-term debt is recognized when it is incurred		(846,730)
Internal service fund is used by the management to charge the cost of workers' compensation and health care benefits to the individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the state		(6,047,974)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Current interest bonds payable	\$ (74,325,143)	
Capital appreciation bonds payable - accretion of interest to date	(7,212,964)	
Energy loans	(35,929)	
Compensated absences (vacation)	(620,042)	(82,194,078)
Total net assets - governmental activities		<u>\$ 50,934,975</u>

The notes to the financial statements are an integral part of this statement.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2005**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Capital Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Revenue limit sources:					
State apportionment	\$ 40,365,603	\$ -	\$ -	\$ 2,367,905	\$ 42,733,508
Local sources	67,071,074	-	-	-	67,071,074
Total revenue limit	107,436,677	-	-	2,367,905	109,804,582
Federal sources	5,767,698	-	-	1,418,654	7,186,352
Other state sources	17,380,510	-	-	1,247,761	18,628,271
Other local sources:					
Interest	574,705	307,848	21,416	180,288	1,084,257
Other	18,930,028	25,019	2,205,175	15,117,070	36,277,292
Total revenues	150,089,618	332,867	2,226,591	20,331,678	172,980,754
Expenditures					
Certificated salaries	75,957,831	-	-	1,796,806	77,754,637
Classified salaries	22,047,932	224,384	76,808	5,228,277	27,577,401
Employee benefits	29,072,597	79,206	27,058	1,853,336	31,032,197
Books and supplies	7,031,919	83,396	89,655	2,760,548	9,965,518
Services and other expenditures	13,370,649	14,466,104	693,573	3,734,802	32,265,128
Capital outlay	94,102	382,768	1,520,585	1,474,232	3,471,687
Other outgo	1,397,049	-	-	-	1,397,049
(Direct support)/indirect costs	(846,859)	-	-	846,859	-
Debt service:					
Principal	-	-	-	3,400,000	3,400,000
Interest	-	-	-	1,507,497	1,507,497
Depreciation (unallocated)	-	-	-	-	-
Total expenditures	148,125,220	15,235,858	2,407,679	22,602,357	188,371,114
Excess (deficiency) of revenues over (under) expenditures	1,964,398	(14,902,991)	(181,088)	(2,270,679)	(15,390,360)
Other financing sources (uses)					
Transfer in	1,104,000	1,111,698	-	4,800,911	7,016,609
Transfer out	(4,431,468)	(369,443)	-	(1,115,698)	(5,916,609)
Other sources/(uses)		16,036,844			16,036,844
Total other financing sources (uses)	(3,327,468)	16,779,099	-	3,685,213	17,136,844
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(1,363,070)	1,876,108	(181,088)	1,414,534	1,746,484
Fund balances - July 1	8,404,503	10,875,330	88,579	7,980,249	27,348,661
Fund balances - June 30	\$ 7,041,433	\$ 12,751,438	\$ (92,509)	\$ 9,394,783	\$ 29,095,145

The notes to the financial statements are an integral part of this statement

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2005**

Total net change in fund balances - governmental funds \$ 1,746,484

Capital outlay are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay	\$ 18,102,140	
Depreciation	<u>(4,645,585)</u>	13,456,554

Accretion on capital appreciation bonds is not reflected in the governmental fund financial statements, but are shown as an increases in the accreted interest on the government-wide financial statements. (2,490,730)

In the statement of activities, certain operating expenses- compensated absences (vacations) 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). Vacation used was less than the amounts earned by 13,749. (13,749)

Proceeds received from Sale of Bonds are revenue in the governmental funds, but increase long-term liabilities in the statement of net assets and does not affect the statement of activities. (16,015,000)

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. These amounts represent the current year changes in long-term liabilities.

Decrease in bonds payable (current)	3,400,000	
Decrease in energy loans	<u>31,165</u>	3,431,165

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (846,730)

Internal service funds are used by the District's management to charge costs of the workers compensation insurance program and health care benefits to the individual funds. The net revenue of the internal service funds are reported with the governmental activities. (2,163,659)

Change in net assets of governmental activities \$ (2,895,665)

The notes to the financial statements are an integral part of this statement

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE BUDGET AND ACTUAL (GAAP)
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Original</u>	<u>Final</u>	<u>Actual (GAAP Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
Revenue limit sources:				
State apportionment	\$ 41,613,247	\$ 41,193,559	\$ 40,365,603	\$ (827,956)
Local sources	65,282,720	66,167,444	67,071,074	903,630
Total revenue limit	<u>106,895,967</u>	<u>107,361,003</u>	<u>107,436,677</u>	75,674
Federal sources	5,318,762	6,264,547	5,767,698	(496,849)
Other state sources	16,183,357	18,120,931	17,380,510	(740,421)
Other local sources	17,483,143	20,354,469	19,504,733	(849,736)
Total revenues	<u>145,881,229</u>	<u>152,100,950</u>	<u>150,089,618</u>	<u>(2,011,332)</u>
			-	
Expenditures				
Certificated salaries	73,902,648	75,513,947	75,957,831	(443,884)
Classified salaries	19,895,033	21,669,808	22,047,932	(378,124)
Employee benefits	28,791,500	29,299,818	29,072,597	227,221
Books and supplies	7,023,045	11,600,457	7,031,919	4,568,538
Services and other expenditures	11,235,104	12,495,151	13,370,649	(875,498)
Capital outlay	70,500	113,288	94,102	19,186
Other outgo	1,036,843	1,278,735	1,397,049	(118,314)
Direct support/indirect costs	(761,106)	(846,859)	(846,859)	-
Total expenditures	<u>141,193,567</u>	<u>151,124,345</u>	<u>148,125,220</u>	<u>2,999,125</u>
Excess of revenues over expenditures	4,687,662	976,605	1,964,398	987,793
Other financing sources (uses)				
Transfer in	4,000	1,104,000	1,104,000	-
Transfer out	(5,356,651)	(5,499,753)	(4,431,468)	(1,068,285)
Total other financing sources (uses)	<u>(5,352,651)</u>	<u>(4,395,753)</u>	<u>(3,327,468)</u>	<u>1,068,285</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(664,989)	(3,419,148)	(1,363,070)	2,056,078
Fund balance - July 1	8,404,503	8,404,503	8,404,503	-
Fund balance - June 30	<u>\$ 7,739,514</u>	<u>\$ 4,985,355</u>	<u>\$ 7,041,433</u>	<u>\$ 2,056,078</u>

The notes to the financial statements are an integral part of this statement

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUND
JUNE 30, 2005**

	Governmental Activities		
	Internal Service Fund		
	Self-Insurance Fund		
	Workers Compensation	Health & Welfare	Total
Assets			
Cash in county treasury	\$ 2,127,843	\$ 2,096,408	\$ 4,224,251
Cash in revolving fund	85,000	375,546	460,546
Accounts receivable:			
Interest	20,475	14,610	35,085
Due from other funds	1,224,650	556,503	- 1,781,153
Total assets	<u>\$ 3,457,968</u>	<u>\$ 3,043,067</u>	<u>\$ 6,501,035</u>
Liabilities			
Accounts payable	\$ 73,409	\$ 93,100	\$ 166,509
Due to other funds	74,822	11,050	85,872
Other general long-term debt	10,113,993	2,182,635	12,296,628
Total liabilities	<u>\$ 10,262,224</u>	<u>\$ 2,286,785</u>	<u>\$ 12,549,009</u>
Net assets (Deficit)			
Reserved	\$ 85,000	\$ 375,546	\$ 460,546
Unreserved	(6,889,256)	380,736	(6,508,520)
Total net assets (Deficit)	<u>\$ (6,804,256)</u>	<u>\$ 756,282</u>	<u>\$ (6,047,974)</u>

The notes to the financial statements are an integral part of this statement

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FISCAL YEAR ENDED JUNE 30, 2005**

**Governmental Activities
Internal Service Fund
Self-Insurance Fund**

	Workers Compensation	Health & Welfare	Total
Operating revenues			
Self-insurance premiums	3,306,167	16,395,125	\$ 19,701,292
Other local revenue	15	1,151	1,166
Total operating revenues	<u>3,306,182</u>	<u>16,396,276</u>	<u>19,702,458</u>
Operating expenses			
Classified salaries	38,246	98,438	136,684
Employee benefits	13,844	36,946	50,790
Books and supplies	62,371	9,280	71,651
Services and other expenditures	3,262,477	17,334,341	20,596,818
Total operating expenses	<u>3,376,938</u>	<u>17,479,005</u>	<u>20,855,943</u>
Operating loss	<u>(70,756)</u>	<u>(1,082,729)</u>	<u>(1,153,485)</u>
Non-operating revenues			
Interest income	50,204	39,622	89,826
Total non-operating revenues	<u>50,204</u>	<u>39,622</u>	<u>89,826</u>
Change in net assets	(20,552)	(1,043,107)	(1,063,659)
Net assets (Deficit) - July 1	(6,583,704)	2,699,389	(3,884,315)
Residual Transfer Out	(200,000)	(900,000)	(1,100,000)
Net assets (Deficit) - June 30	<u>\$ (6,804,256)</u>	<u>\$ 756,282</u>	<u>\$ (6,047,974)</u>

The notes to the financial statements are an integral part of this statement

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOW
PROPRIETARY FUND
FISCAL YEAR ENDED JUNE 30, 2005**

	Governmental Activities Internal Service Fund
	Self-Insurance Fund
	Fund
Cash flows from operating activities	
Cash received from premiums	\$ 19,688,183
Cash received for other local revenues	1,166
Cash paid for claims and administration	(18,274,244)
Cash paid to employees for services	(187,474)
Cash paid for goods and services	(1,171,651)
Net cash provided by operating activities	<u>55,980</u>
Cash flow from investing activities	
Interest and other income	89,826
Net cash provided by investing activities	<u>89,826</u>
Net increase in cash	145,806
Cash balance, July 1	4,538,992
Cash balance, June 30	<u>\$ 4,684,798</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	\$ (1,153,485)
Residual transfer out	(1,100,000)
Adjustments due to decrease/(increase) in:	
Accounts receivable	(15,770)
Due from other funds	2,661
Adjustment due to increase (decrease) in:	
Accounts payable	(30,977)
Due to other funds	82,555
Other general long-term debt	2,270,996
Net increase	<u>2,309,465</u>
Net cash provided by operating activities	<u>\$ 55,980</u>

The notes to the financial statements are an integral part of this statement

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2005**

	Agency Funds
	Student Body Funds
	<hr/>
Assets	
Cash and cash equivalents	\$ 1,283,307
Accounts receivable	16,032
Loan receivable	10,000
Store inventory	108,948
Prepaid expenses	43,596
Total assets	<hr/> \$ 1,461,883 <hr/>
 Liabilities	
Accounts payable	\$ 204,314
Due to student groups	1,257,569
Total liabilities	<hr/> \$ 1,461,883 <hr/>

The notes to the financial statements are an integral part of this statement

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Conejo Valley Unified School District (the “District”) was unified effective July 1, 1974 as a result of a general election. The District is comprised of the former Valley Oaks and Timber Elementary School Districts with a portion of the Oxnard Union High School District. The District consists of approximately 139 square miles in the southeastern portion of Ventura County.

For financial reporting purposes, the District included all funds that are controlled by or dependent on the District's Board of Education. Board members, who are elected by the public, have decision-making authority, the power to designate management, the ability to significantly influence operations and the primary accountability for fiscal matters. No entities outside the District have been combined to form the reporting entity.

The District receives funding from local, state and federal governmental sources and must comply with all the requirements of these funding source entities.

B. Accounting Policies

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the District and its component units. Internal Services Fund activities are eliminated to avoid doubling revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. 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. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. The Internal Service Fund is presented on the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all asset and all liabilities associated with the operation of these funds are included on the proprietary fund's Statement of Fund Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets for proprietary funds presents increases (i.e., revenues) and decreases (i.e., expenditures) 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 activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use 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 under 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 the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocation of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, non-major, proprietary, and fiduciary funds as follows:

Major Governmental Funds

General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

The *Building Fund* is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

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).

Non-Major Governmental Funds

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 four special revenue funds:

- Child Development Fund is used to account for resources committed to child development programs maintained by the District.
- Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.
- Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeterias.
- Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.

Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The District maintains one debt service fund:

- Bond Interest and Redemption Fund which is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains two capital projects funds:

- County School Facilities Fund is used to separately account for acquisitions and/or construction projects pursuant to the improvement and repair of existing facilities including but not limited to technology, board-approved modernization projects, athletic facilities and ADA issues.
- Special Reserve for Capital Outlay is used to account for District resources designated for capital outlay purposes and related expenditures.

Proprietary Fund:

Internal Service Fund is used to account for services rendered on a cost-reimbursement basis within the District. The District maintains one internal service fund:

- Self-Insurance Fund is used to account for resources committed to pay for costs arising from property losses and liability claims that are not covered, or are only partially covered, through purchase insurance.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains seven agency funds, four middle schools and three high schools.

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and the District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

H. Asset, Liabilities, and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured up to \$100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions are fully insured or collateralized.

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Ventura County Treasury (the County). The county pools these funds with those of other Districts in the County and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

The County is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the County are either secured by federal depository insurance or are collateralized.

2. Stores Inventories and Prepaid Expenditures

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2005**

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual items are purchased. Inventories are valued at weighted-average cost and consists of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not available for appropriation and expenditure even though they are a component of net current assets. Transportation, maintenance and other supplies held for physical plant and equipment repair are not included in stores inventory; rather, these amounts are recorded as expenditures when purchased.

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 expenditure when incurred.

3. Capital Assets

Capital assets are those purchased or acquired with an original cost of \$10,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Estimated Useful Life</u>
Buildings	20-40 years
Land Improvements	5-40 years
Furniture & Equipment	2-15 years

4. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

5. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

The entire compensated absence liability is reported on the government-wide financial statements in the long-term debt account groups.

6. Accrued Liability and Long-Term Obligations

In the government-wide financial statements, all payables, accrued liabilities, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

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 a liability on the fund financial statements when due.

7. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. The reserve for revolving fund and the reserve for store inventory reflect the portions of fund balance represented by revolving fund cash and store inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

8. Revenue Limit/ Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

The County is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the County. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The County apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each year.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the State General Fund, and is known as the State Apportionment.

The District's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

I. Implementation of New GASB Pronouncements

The District adopted new accounting standards in order to conform to the following Government Accounting Standards Board Statement:

No. 40 – *Deposit and Investment Risk Disclosure* – This Statement addresses selected issues and amends GASB Statement No.3, *Deposits with Financial Institutions, Investments, (including Repurchase Agreements), and Reverse Repurchase Agreements*. The Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

NOTE 2 – CASH AND INVESTMENTS

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Ventura County Treasury as part of the common investment pool, which totaled \$31,521,738 as of June 30, 2005. The estimated fair market value of this pool as of June 30, 2005 was \$ 31,411,622. The County is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

The District is considered to be an involuntary participant in the external investment pool. The County pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the County are either secured by federal depository insurance or are collateralized.

A summary of deposits as of June 30, 2005 is as follows:

<u>Estimated Fair Value</u>	<u>Reported Amount</u>
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**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2005**

Deposits:

Cash in County Treasurer	\$31,411,622	\$31,521,738
Cash on Hand and in Bank	<u>498,056</u>	<u>498,056</u>
	<u>31,909,678</u>	<u>32,019,794</u>

Investments by the District in investment pools are considered unclassified as to credit risk because they are not evidenced by securities that exist in physical or book entry form. Investments in external investment pools and other pooled investments are excluded from the concentration of credit risk disclosure under GASB Statement No. 40.

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 rate. As of the year end, the weighted average maturity of the investments contained in the County Treasury investment pool was approximately eighteen months.

Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools. The County of Ventura issues a financial report that includes custodial credit risk disclosures for the Cash in County Treasury. The report may be obtained by writing to the Ventura County Treasurer, 800 South Victoria Avenue, Ventura, California 93009.

Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand, in banks, and in revolving fund are insured up to \$100,000 by the Federal Depository Insurance Corporation (FDIC). The accounts are held within various financial institutions. As of June 30, 2005, the carrying amount of the District's account was \$498,056.

The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledge securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the District. All cash held by financial institutions is entirely insured.

Investments

The district directs the County Treasurer to invest excess funds in the investment pool. The fund is an investment pool managed by the Country Treasurer. The aggregate cost of investment of all participants, which includes the District, in the investment pool as of June 30, 2005 is \$1,439,477,088 with a market value of \$1,434,448,493. The fair market value of the investment pool account was obtained from the County of Ventura Treasurer. The investment pool account is not subject to categorization.

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2005, expenditures exceeded appropriations in individual funds as follows:

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Certificated salaries	\$ 443,884
Classified salaries	378,124
Services and other expenditures	875,498
Other outgo	118,314
Child Development Fund:	
Books and supplies	37,314
Services and other expenditures	57,893
Cafeterial Fund:	
Classified salaries	25,820
Employee benefits	14,872
Services and other expenditures	12,980
Adult Education Fund:	
Certificated salaries	170,271
Classified salaries	18,013
Special Reserve for Capital Outlay Fund:	
Capital outlay	1,137,638

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 4 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2005 consist of the following:

	General Fund	Other Major Governmental Funds	All other Governmental Funds	Self- Insurance Fund	Total
Federal programs:					
Categorical aid	\$ 1,737,963	\$ -	\$ 330,869	\$ -	\$ 2,068,832
Total federal government	<u>1,737,963</u>	<u>-</u>	<u>330,869</u>	<u>-</u>	<u>2,068,832</u>
State government:					
Lottery	1,125,437	-	-	-	1,125,437
All other state funds	3,832,627	-	159,729	-	3,992,356
Total state government	<u>4,958,064</u>	<u>-</u>	<u>159,729</u>	<u>-</u>	<u>5,117,793</u>
Local revenues:					
Interest	200,037	107,325	60,961	35,085	403,408
Other local revenues	3,116,174	108,250	-	-	3,224,424
Total local sources	<u>3,316,211</u>	<u>215,575</u>	<u>60,961</u>	<u>35,085</u>	<u>3,627,832</u>
Total receivables	<u>\$10,012,238</u>	<u>\$ 215,575</u>	<u>\$ 551,559</u>	<u>\$ 35,085</u>	<u>\$10,814,457</u>

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance July 1, 2004	Addition	Deductions	Balance June 30, 2005
Governmental activities				
Capital assets not being depreciated				
Land	\$ 18,671,449	\$ -	\$ -	\$ 18,671,449
Construction in progress	100,000	291,826		391,826
Total capital assets not being depreciated	<u>18,771,449</u>	<u>291,826</u>	<u>-</u>	<u>19,063,275</u>
Capital assets being depreciated				
Land improvements	26,293,672		7,829,182	18,464,490
Buildings and improvements	102,908,453	25,119,305		128,027,758
Furniture and equipment	2,142,837	610,043	89,852	2,663,028
Total capital assets being depreciated	<u>131,344,962</u>	<u>25,729,348</u>	<u>7,919,034</u>	<u>149,155,276</u>
Less accumulated depreciation				
Land Improvements	8,861,530		7,262,206	1,599,324
Buildings and improvements	42,706,686	11,694,494		54,401,180
Furniture and equipment	1,076,137	213,298		1,289,435
Total accumulated depreciation	<u>52,644,353</u>	<u>11,907,792</u>	<u>7,262,206</u>	<u>57,289,939</u>
Governmental activities capital assets, net	<u>\$ 97,472,058</u>	<u>\$ 14,113,382</u>	<u>\$ 656,828</u>	<u>\$ 110,928,612</u>

Certain fixed assets items previously reported under the land improvements account have been reclassified to building and improvements account during the fiscal year ended June 30, 2005.

NOTE 6 – INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

Interfund Receivables/Payables (Due From/Due To)

As of June 30, 2005, interfund receivable and payable were as follows:

Funds	Interfund Receivables	Interfund Payables
General	\$ 2,740,350	\$ 1,357,087
Building fund	910,863	657,755
Capital facilities fund	580,230	2,160,131
Nonmajor Governmental	261,857	2,013,607
Self-insurance fund	1,781,153	85,873
Total	\$ 6,274,453	\$ 6,274,453

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenues to funds through which the resources are to be expended. Interfund transfers for fiscal year 2004-05 were as follows:

Funds	Transfer In	Transfer Out
General fund	\$ 1,104,000	\$ 4,431,468
All other funds:		
Adult education fund	137,060	-
Building fund	1,111,698	369,443
County school facilities fund	-	1,111,698
Deferred maintenance fund	869,034	-
Self insurance fund	-	1,100,000
Special reserve for capital outlay fund	3,794,817	4,000
Total	\$ 7,016,609	\$ 7,016,609

Transfer of \$4,000 from the Special Reserve for Capital Outlay Fund to the General Fund for payment of interest on loan.

Transfer of \$1,100,000 from the Self Insurance Fund to the General Fund for supporting Collective Bargaining Agreement for Medicare benefit proposed on November 17, 2004.

Transfer of \$137,060 from the General Fund to the Adult Education Fund for developmental kindergarten Average Daily Attendance.

Transfer of \$1,111,698 from the County School Facilities Fund to the Building Fund to reimburse project costs.

Transfer of \$499,591 from the General Fund and of \$369,443 from the Building Fund to the Deferred Maintenance Fund for support state match requirement.

Transfer of \$3,794,817 from the General Fund to the Special Reserve for Capital Outlay Fund for capital projects.

NOTE 7 – FUND BALANCES

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

The following is a summary of fund balances at June 30, 2005:

	<u>General</u>	<u>Other Major Governmental Funds</u>	<u>All Other Governmental Funds</u>	<u>Self-insurance Fund</u>	<u>Totals</u>
Reserved					
Revolving Cash	\$ 30,000	\$ -	\$ -	\$ 460,546	\$ 490,546
Stores Inventory	201,828		97,715	-	299,543
Total Reserved	<u>231,828</u>	<u>-</u>	<u>97,715</u>	<u>460,546</u>	<u>790,089</u>
Unreserved:					
Designated					
Economic Uncertainties	4,576,701				4,576,701
Other Uses	2,178,070				2,178,070
Total Designated Funds	<u>6,754,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,754,771</u>
Undesignated	54,834	12,658,929	9,297,068	(6,508,520)	15,502,311
Total Unreserved	<u>6,809,605</u>	<u>12,658,929</u>	<u>9,297,068</u>	<u>(6,508,520)</u>	<u>22,257,082</u>
Total Fund Balances	<u>\$7,041,433</u>	<u>\$ 12,658,929</u>	<u>\$ 9,394,783</u>	<u>\$ (6,047,974)</u>	<u>\$ 23,047,171</u>

NOTE 8 – CHANGES TO LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2005 is shown below:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance July 1, 2005</u>	<u>Due within One Year</u>
General obligation bonds - current interest	\$ 33,515,000	\$ 16,015,000	\$ 3,400,000	\$ 46,130,000	\$ 3,800,000
General obligation bonds - capital appreciation	32,799,107	2,609,000		35,408,107	1,911,760
Compensated absences	606,293	13,749	-	620,042	
Energy Loans	67,094		31,165	35,929	23,536
Total	<u>\$ 66,987,494</u>	<u>\$ 18,637,749</u>	<u>\$ 3,431,165</u>	<u>\$ 82,194,078</u>	<u>\$ 5,735,296</u>

NOTE 9 – BONDED DEBT

The District has issued four general obligation bonds, which are included in the General Long-Term Debt Account Group. Series A Bond was sold on April 1, 1998 with a face value of \$30,000,000. Series B Bond was sold on November 5, 2000 with a face value of \$33,775,115. Series C was sold on April 4, 2002 with a face value of \$8,205,028. Series D was sold in August 2004 with a face value of \$16,015,000. In addition, the District also issued Refunding Bonds on November 5, 2000 to refund a portion of the Series A Bonds.

The outstanding general obligation bonded debts of the District at June 30, 2005 are as follow:

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

Bonded Debt - Current Interest:

Date of Issue	Intrest Rate	Maturity Date	Amount of Original Issue	Outstanding July 1, 2004	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2005
5/1/1999	4.00%-4.750%	2013	\$ 30,000,000	\$ 9,245,000	\$ -	\$ -	\$ 9,245,000
10/10/2000	2.850%-4.300%	2009	13,785,000	10,650,000		1,770,000	\$ 8,880,000
10/10/2000	4.125%-5.750%	2010	19,020,000	13,620,000		1,630,000	\$ 11,990,000
8/2004	2.500%-4.500%	2019	16,015,000		16,015,000		16,015,000
Total			<u>\$ 78,820,000</u>	<u>\$ 33,515,000</u>	<u>\$ 16,015,000</u>	<u>\$ 3,400,000</u>	<u>\$ 46,130,000</u>

Bonded Debt - Capital Appreciation:

Date of Issue	Intrest Rate	Maturity Date	Amount of Original Issue	Outstanding July 1, 2004	Principal Acreed	Redeemed Current Year	Outstanding June 30, 2005
10/10/2000	4.75%-5.40%	8/1/2015	\$ 19,990,115	\$ 23,719,945	\$ 1,846,969	\$ -	\$ 25,566,914
4/4/2002	5.55%-5.60%	8/1/2017	8,205,028	9,079,162	762,031		9,841,193
Total			<u>\$ 28,195,143</u>	<u>\$ 32,799,107</u>	<u>\$ 2,609,000</u>	<u>\$ -</u>	<u>\$ 35,408,107</u>

The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2005 are as follows:

Amortization of the Series A bond with an original issue amount of \$30,000,000 is:

Year Ended June 30	Principal	Interest	Total
2006	\$ -	\$ 400,345	\$ 400,345
2007		400,345	400,345
2008		400,345	400,345
2009		400,345	400,345
2010		400,345	400,345
2011	3,300,000	400,345	3,700,345
2012	1,900,000	261,745	2,161,745
2013	1,980,000	180,045	2,160,045
2014	2,065,000	92,925	2,157,925
	<u>\$ 9,245,000</u>	<u>\$ 2,936,785</u>	<u>\$ 12,181,785</u>

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

Amortization of the Series B bond with an original issue amount of \$13,785,000 is:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 1,960,000	\$ 372,452	\$ 2,332,452
2007	2,090,000	291,603	2,381,603
2008	2,300,000	205,390	2,505,390
2009	2,530,000	108,790	2,638,790
	<u>\$ 8,880,000</u>	<u>\$ 978,235</u>	<u>\$ 9,858,235</u>

Amortization of the Refunding bond with an original issue amount of \$19,020,000 is:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	1,840,000	542,780	2,382,780
2007	2,140,000	466,880	2,606,880
2008	2,390,000	378,605	2,768,605
2009	2,660,000	278,225	2,938,225
2010	<u>2,960,000</u>	<u>155,200</u>	<u>3,115,200</u>
Total	<u>\$ 11,990,000</u>	<u>\$ 1,821,690</u>	<u>\$ 13,811,690</u>

Amortization of the Series D bond with an original issue amount of \$16,015,000 is:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 205,000	\$ 714,013	\$ 919,013
2007		711,450	711,450
2008		711,450	711,450
2009		711,450	711,450
2010		711,450	711,450
2011-2020	15,810,000	6,410,475	22,220,475
Total	<u>\$ 16,015,000</u>	<u>\$ 9,970,288</u>	<u>\$ 25,985,288</u>

Amortization of the Capital Appreciation bond with an original issue amount of \$19,990,115 is:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,804,638	\$ 970,362	\$ 2,775,000
2011	1,793,756	1,131,244	2,925,000
2012	2,732,853	2,002,147	4,735,000
2013	2,897,792	2,447,208	5,345,000
2014	2,920,011	2,824,989	5,745,000
2015-2019	<u>7,841,065</u>	<u>9,248,935</u>	<u>17,090,000</u>
Totals	<u>\$ 19,990,115</u>	<u>\$ 18,624,885</u>	<u>\$ 38,615,000</u>

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

Amortization of the Series C bond with an original issue amount of \$8,205,028 is:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 4,117,319	\$ 5,112,681	\$ 9,230,000
2017	4,087,709	5,637,291	9,725,000
Total	<u>\$ 8,205,028</u>	<u>\$ 10,749,972</u>	<u>\$ 18,955,000</u>

NOTE 10 - ENERGY LOANS

The District has entered into several long term financing agreements for energy-saving fixed assets. The value of the future loan payments for these assets has been recorded in the General Long-Term Debt Account Group.

The outstanding energy loans of the District as of June 30, 2005 are as follows:

<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amt. Of original issue</u>	<u>Outstanding July 1, 2004</u>	<u>Redeemed in Current Year</u>	<u>Outstanding June 30, 2005</u>
2/27/1997	6.60%	12/22/2004	\$ 24,842	\$ 2,100	\$ 2,100	\$ 0
2/24/1998	5.90%	12/22/2006	164,200	58,135	22,206	35,929
4/16/1998	5.90%	12/22/2004	36,622	3,370	3,370	0
5/1/1998	5.90%	12/22/2004	38,000	3,488	3,488	0
Total			<u>\$ 263,664</u>	<u>\$ 67,093</u>	<u>\$ 31,165</u>	<u>\$ 35,929</u>

The annual requirements to amortize all energy loans payable outstanding as of June 30, 2005 are as follow

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 23,536	\$ 1,773	\$ 25,309
2007	12,393	364	12,757
Totals	<u>\$ 35,929</u>	<u>\$ 2,137</u>	<u>\$ 38,066</u>

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 11 – COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, the District believes that any required reimbursement will not be material.

Litigation

The District has been named as defendant in numerous lawsuits. Management believes that the ultimate outcome of such lawsuits will not have a significant effect on the District's financial position.

Construction Contracts

At June 30, 2005, the District has outstanding construction commitments of approximately \$12,112,644.

NOTE 12 – RISK MANAGEMENT

The District is exposed to various risks of loss related to workers' compensation and health and welfare. The District utilizes the Internal Service Fund to account for these activities. Effective February 28, 1996 the District purchased insurance for workers' compensation. The District continues to be self-insured for claims prior to that date.

Estimates of the liabilities for incurred, both reported and unreported, but unpaid claims are actuarially determined. This method uses past observed patterns of time between claim incurred and payment to estimate incurred claims from available claims data. Liabilities are based on the estimated ultimate cost of settling the claims.

Benefits are financed through collection of premiums, based on an actuarial estimate which provides a stable cash flow for payment of claims.

A number of claims and suits are pending against the District arising out of proposed claim settlement in the Self Insurance Fund. In the opinion of the District administration, the related liability, if any, will not materially affect the financial position of the fund.

As of June 30, 2005, liability for claims in the Internal Service Fund amounted to \$12,296,627. Changes in the funds' claims liability in the fiscal year 2004-2005 are as follows:

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Ending Fiscal Year Liability
Workers' Compensation Fund	\$ 8,826,622	\$ 3,069,625	\$ 1,782,254	\$ 10,113,993
Health and Welfare Fund	<u>1,199,010</u>	<u>17,330,614</u>	<u>16,346,990</u>	<u>2,182,634</u>
Total	<u>\$10,025,632</u>	<u>\$20,400,239</u>	<u>\$18,129,244</u>	<u>\$ 12,296,627</u>

The 2004-05 Ending Fiscal Year Liability in the Worker's Compensation Fund of \$10,113,993 as reported above was obtained from an actuarial study of the Fund conducted for the Conejo Valley Unified School District by an independent actuary. The figure represents the estimated cost of all workers compensation claims, both reported and unreported, as of June 30, 2005. The current year increase in this figure has created a negative fund balance of \$6,047,974 in the 2004-05 Internal Service Fund, as reported on page 20. However, this liability represents a multi-year obligation of the District. The deficit will be eliminated over a five to seven year period utilizing accumulated reserves, as well as future year contributions to the Fund. The liability as reported did not produce a negative cash flow balance in the Workers Compensation Fund in 2004-05. In order to reduce the liability in the Workers Compensation Fund as reported, District staffs are working to significantly improve claims management practices, and close out long-term claims. In addition, the District is fully funding the 2005-06 contribution to the Workers Compensation Fund as recommended in the actuarial study.

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension 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 California Public Employees' Retirement System (CalPERS).

A. CalPERS

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 Law. PERS issues a separate comprehensive annual financial report that includes financial statements and require supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

Funding Policy

Active plan members are required to contribute 7.0% of their salary (over \$133.33 if the member participates in Social Security) 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 2004-2005 was 9.95% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to the CalPERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$1,965,303, \$2,027,015, and \$551,683, respectively.

B. STRS

Plan Description

The District contributes to the State Teachers' Retirement System, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, 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 the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0% 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 STRS Teachers' Retirement Board. The required employer contribution requirements of the plan members are established by state statute and was set at 8.25% for the fiscal year 2004-2005. The District's contributions to the STRS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$6,311,999, \$6,214,842, and \$6,107,727, respectively, and equal 100% of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to STRS on behalf of all school Districts within the State. The revenues and expenditures associated with these payments, if any, have not been included in these financial statements.

NOTE 15 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

In addition to providing pension benefits, the District provides post-retirement health insurance benefits to all employees who retire from the District on or after attaining age 55 and prior to their 61st birthday, and with 15 years of district service for classified employees and 20 years of service for certificated employees.

Under the plan the District will continue to cover and pay for the employee in addition to allowing the retiree to purchase coverage for the employee's spouse only under the District's Health Management Organization (HMO) program until the retiree reaches age 65 or until such retiree is eligible for Medicare, whichever comes first.

The right of retiring employees to take advantage of the program shall exist only when the total of retirees enrolled in the program does not exceed 13% for the 2004-05 year for certificated employees, and 13% for classified employees. The retiring employee who otherwise would not be able to take advantage of the

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

program, because the District's HMO carrier does not provide service at their domicile, may elect to receive the equivalent dollar amount of insurance benefits.

On June 30, 2005, 117 retirees met these eligibility requirements. The expenditures for post-retirement health benefits are recognized on a pay as you go basis.

During the fiscal year ended June 30, 2005, expenditures of \$253,609 were recognized for post-retirement health care. The amount of the long-term debt has not been determined and is therefore not included in the general long-term debt account group.

NOTE 16 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Ventura County Schools Self-Funding Authority (the "Authority") public entity risk pool. The District pays an annual premium to the Authority for its property liability coverage. The relationship between the District and the pool is such that it is not a component unit of the District for financial reporting purposes.

The Authority has 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 Authority and the District are included in these statements. Audited financial statements are available from the entity.

- A. Entity** Ventura County Schools Self-Funding Authority
- B. Purpose** Provides property and liability insurance
- C. Participants** Schools and community college districts and county school offices in Ventura County
- D. Governing Board** One member from each participating district/county school office

E. Condensed Audited Financial Information of The Authority:

	<u>June 30, 2005</u>
Assets	\$ 39,593,278
Liabilities	<u>44,588,482</u>
Net deficit	<u>\$ (4,995,204)</u>
Revenues	\$ 29,172,444
Expenses	<u>9,917,819</u>
Net increase in net assets	<u>\$ 19,254,625</u>

Member districts share surpluses and deficits proportionately to their participation in the Authority. The District has not yet determined its proportionate share of the net asset/deficit of the Authority and no share of income/loss on the Authority has been recognized in The District's book as of June 30, 2005.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 17 – TAX AND REVENUE ANTICIPATION NOTES

On July 6, 2004, the District had a Tax Revenue and Anticipation Note payable outstanding in the amount of \$16,500,000 plus accrued interest. The District had deposited all of the funds necessary to redeem the note in full as of June 30, 2005 with the Ventura County Treasurer's Office. The note matured and was redeemed during the fiscal year ended June 30, 2005.

NOTE 18 - SUBSEQUENT EVENT

Tax and Revenue Anticipation Notes

On July 1, 2005, the District issued \$15,215,000 of Tax and Revenue Anticipation Notes. The notes mature on June 30, 2006. The notes have a stated interest rate of 3.50 % and were sold to yield 2.55%. The notes were sold to supplement cash flow. As security for the repayment of the notes, the District has pledged to deposit into the repayment fund out of the unrestricted revenue received by the District (i) during the period ending December 31, 2005, 50% of the aggregate principal amount of the notes and (ii) during the period ending May 31, 2006, the remaining 50% of the aggregate principal amount of the notes, plus an amount sufficient to pay interests on the notes at maturity.

**COMBINING STATEMENTS AND
INDIVIDUAL FUND SCHEDULES**

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2005**

	Child Development	Deferred Maintenance	Cafeteria	Adult Education	Totals
Assets					
Cash in county treasury	\$ 282,138	\$ 1,946,925	\$ 17,457	\$ 244,516	\$ 2,491,036
Cash on hand and in banks	3,000	-	210	1,300	4,510
Accounts receivable:					
Federal government		-	230,274	100,595	330,869
State government	29,371	-	-	121,643	151,014
Other sources:					-
Interest	-	13,388	-	-	13,388
Other	-	-	-	-	-
Due from other funds	947	-	82,979	-	83,926
Stores inventory	-	-	97,714	-	97,714
Total assets	\$ 315,456	\$ 1,960,313	\$ 428,634	\$ 468,054	\$ 3,172,457
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 54,943	\$ 173	\$ 78,973	\$ 192,920	\$ 327,009
Deferred revenues	242,671	-	-	77,887	320,558
Due to other funds	361	-	250,235	125	250,721
Total liabilities	297,975	173	329,208	270,932	898,288
Fund balances:					
Reserved funds	-	-	97,715	-	97,715
Unreserved:					
Undesignated funds	17,481	1,960,140	1,711	197,122	2,176,454
Total fund balances	17,481	1,960,140	99,426	197,122	2,274,169
Total liabilities and fund balances	\$ 315,456	\$ 1,960,313	\$ 428,634	\$ 468,054	\$ 3,172,457

The notes to the financial statements are an integral part of this statement

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
FISCAL YEAR ENDED JUNE 30, 2005**

	Child Development	Deferred Maintenance	Cafeteria	Adult Education	Totals
Revenues					
Revenue limit sources:					
State apportionment	\$ -	\$ -	\$ -	\$ 2,367,905	\$ 2,367,905
Total revenue limit	-	-	-	2,367,905	2,367,905
Federal revenues:					
Child nutrition	-	-	1,138,191	-	1,138,191
Other	4,074	-	-	276,389	280,463
State revenues:					
Child nutrition	-	-	70,166	-	70,166
Other	268,346	851,392	-	-	1,119,738
Local revenues:					
Interest	5,206	21,788	2,860	11,168	41,022
Other local revenues	3,962,332	-	3,280,149	1,494,333	8,736,814
Total revenues	4,239,958	873,180	4,491,366	4,149,795	13,754,299
Expenditures					
Certificated salaries	165,137	-	-	1,631,669	1,796,806
Classified salaries	2,427,132	-	1,775,873	988,668	5,191,673
Employee benefits	834,384	-	530,228	475,137	1,839,749
Books and supplies	301,112	-	2,042,282	402,014	2,745,408
Services and other expenditures	343,779	102,330	153,420	410,074	1,009,603
Capital outlay	-	-	36,594	-	36,594
Direct support/indirect costs	319,608	-	-	527,251	846,859
Total expenditures	4,391,152	102,330	4,538,397	4,434,813	13,466,692
Excess (deficiency) of revenues over (under) expenditures	(151,194)	770,850	(47,031)	(285,018)	287,607
Other financing sources					
Transfer in	-	869,034	-	137,060	1,006,094
Total other financing sources	-	869,034	-	137,060	1,006,094
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(151,194)	1,639,884	(47,031)	(147,958)	1,293,701
Fund balances - July 1	168,675	320,256	146,457	345,080	980,468
Fund balances - June 30	\$ 17,481	\$ 1,960,140	\$ 99,426	\$ 197,122	\$ 2,274,169

The notes to the financial statements are an integral part of this statement

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BASIS) AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED JUNE 30, 2005**

	Child Development			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Revenue limit sources:				-
State apportionment	\$ -	\$ -	\$ -	\$ -
Total revenue limit	-	-	-	-
Federal revenues:				
Child nutrition	-	-	-	-
Other	-	4,074	4,074	-
State revenues:				
Child nutrition				-
Other	262,031	282,381	268,346	(14,035)
Local revenues:				
Interest	7,000	7,000	5,206	(1,794)
Other	4,032,427	4,052,427	3,962,332	(90,095)
Total revenues	4,301,458	4,345,882	4,239,958	(105,924)
Expenditures				
Certificated salaries	165,182	167,077	165,137	1,940
Classified salaries	2,326,654	2,534,425	2,427,132	107,293
Employee benefits	861,997	891,021	834,384	56,637
Books and supplies	323,044	263,798	301,112	(37,314)
Services and other expenditures	194,241	285,886	343,779	(57,893)
Capital outlay	170,000	-	-	-
Direct support/indirect costs	272,403	319,608	319,608	-
Total expenditures	4,313,521	4,461,815	4,391,152	70,663
Excess (deficiency) of revenues over (under) expenditures	(12,063)	(115,933)	(151,194)	(35,261)
Other financing sources				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Other sources/(uses)	-	-	-	-
Total other financing sources	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(12,063)	(115,933)	(151,194)	(35,261)
Fund balances - July 1	168,675	168,675	168,675	-
Fund balances - June 30	\$ 156,612	\$ 52,742	\$ 17,481	\$ (35,261)

The notes to the financial statements are an integral part of this statement

Deferred Maintenance				Cafeteria			
Original	Final	Actual (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	1,133,000	1,133,000	1,138,191	5,191
-	-	-	-	-	-	-	-
499,591	869,034	851,392	(17,642)	72,100	72,100	70,166	(1,934)
10,000	5,000	21,788	16,788	3,500	3,500	2,860	(640)
-	-	-	-	3,287,000	3,287,000	3,280,149	(6,851)
509,591	874,034	873,180	(854)	4,495,600	4,495,600	4,491,366	(4,234)
-	-	-	-	-	-	-	-
-	-	-	-	1,745,870	1,750,053	1,775,873	(25,820)
-	-	-	-	519,083	515,356	530,228	(14,872)
-	-	-	-	2,051,200	2,051,200	2,042,282	8,918
164,910	210,643	102,330	108,313	140,440	140,440	153,420	(12,980)
-	-	-	-	50,000	50,000	36,594	13,406
-	-	-	-	-	-	-	-
164,910	210,643	102,330	108,313	4,506,593	4,507,049	4,538,397	(31,348)
344,681	663,391	770,850	107,459	(10,993)	(11,449)	(47,031)	(35,582)
499,591	869,034	869,034	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
499,591	869,034	869,034	-	-	-	-	-
844,272	1,532,425	1,639,884	107,459	(10,993)	(11,449)	(47,031)	(35,582)
320,256	320,256	320,256	-	146,457	146,457	146,457	-
\$ 1,164,528	\$ 1,852,681	\$ 1,960,140	\$ 107,459	\$ 135,464	\$ 135,008	\$ 99,426	\$ (35,582)

The notes to the financial statements are an integral part of this statement

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BASIS) AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED JUNE 30, 2005**

	Adult Education			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Revenue limit sources:				
State apportionment	\$ 2,362,523	\$ 2,362,523	\$ 2,367,905	\$ 5,382
Total revenue limit	2,362,523	2,362,523	2,367,905	5,382
Federal revenues:				
Child nutrition	-	-	-	-
Other	242,824	276,389	276,389	-
State revenues:				
Child nutrition	-	-	-	-
Other	-	-	-	-
Local revenues:				
Interest	13,000	13,000	11,168	(1,832)
Other	1,621,000	1,646,410	1,494,333	(152,077)
Total revenues	4,239,347	4,298,322	4,149,795	(148,527)
Expenditures				
Certificated salaries	1,477,319	1,461,398	1,631,669	(170,271)
Classified salaries	1,014,924	970,655	988,668	(18,013)
Employee benefits	504,247	515,324	475,137	40,187
Books and supplies	437,250	523,812	402,014	121,798
Services and other expenditures	453,700	517,356	410,074	107,282
Capital outlay	35,000	2,805	-	2,805
Direct support/indirect costs	488,703	527,251	527,251	-
Total expenditures	4,411,143	4,518,601	4,434,813	83,788
Excess (deficiency) of revenues over (under) expenditures	(171,796)	(220,279)	(285,018)	(64,739)
Other financing sources				
Transfer in	137,060	137,060	137,060	-
Transfer out	-	-	-	-
Other sources/(uses)	-	-	-	-
Contributions	142,683	-	-	-
Total other financing sources	279,743	137,060	137,060	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	107,947	(83,219)	(147,958)	(64,739)
Fund balances - July 1	345,080	345,080	345,080	-
Fund balances - June 30	\$ 453,027	\$ 261,861	\$ 197,122	\$ (64,739)

The notes to the financial statements are an integral part of this statement

Totals			
Original	Final	Actual (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
\$ 2,362,523	\$ 2,362,523	\$ 2,367,905	\$ 5,382
2,362,523	2,362,523	2,367,905	5,382
1,133,000	1,133,000	1,138,191	5,191
242,824	280,463	280,463	-
72,100	72,100	70,166	(1,934)
761,622	1,151,415	1,119,738	(31,677)
33,500	28,500	41,022	12,522
8,940,427	8,985,837	8,736,814	(249,023)
13,545,996	14,013,838	13,754,299	(259,539)
1,642,501	1,628,475	1,796,806	(168,331)
5,087,448	5,255,133	5,191,673	63,460
1,885,327	1,921,701	1,839,749	81,952
2,811,494	2,838,810	2,745,408	93,402
953,291	1,154,325	1,009,603	144,722
255,000	52,805	36,594	16,211
761,106	846,859	846,859	-
13,396,167	13,698,108	13,466,692	231,416
149,829	315,730	287,607	(28,123)
636,651	1,006,094	1,006,094	-
-	-	-	-
-	-	-	-
142,683	-	-	-
779,334	1,006,094	1,006,094	-
929,163	1,321,824	1,293,701	(28,123)
980,468	980,468	980,468	-
\$ 1,909,631	\$ 2,302,292	\$ 2,274,169	\$ (28,123)

The notes to the financial statements are an integral part of this statement

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2005**

	County School Facilities	Special Reserve for Capital Outlay	Total
Assets			
Cash in county treasury	\$ 1,644,464	\$ 980,007	\$ 2,624,471
Accounts receivable:			
State Government		8,715	8,715
Other sources:			
Interest	11,484		11,484
Due from other funds	-	177,931	177,931
Total assets	<u>\$ 1,655,948</u>	<u>\$ 1,166,653</u>	<u>\$ 2,822,601</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ -	\$ 14,700	\$ 14,700
Due to other funds	835,518	927,369	1,762,887
Total liabilities	<u>835,518</u>	<u>942,069</u>	<u>1,777,587</u>
Fund balances:			
Unreserved:			
Undesignated funds	820,430	224,584	1,045,014
Total fund balances	<u>820,430</u>	<u>224,584</u>	<u>1,045,014</u>
Total liabilities and fund balances	<u>\$ 1,655,948</u>	<u>\$ 1,166,653</u>	<u>\$ 2,822,601</u>

The notes to the financial statements are an integral part of this statement

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR CAPITAL PROJECT FUNDS
FISCAL YEAR ENDED JUNE 30, 2005**

	County School Facilities	Special Reserve for Capital Outlay	Total
Revenues			
State revenues:			
Other	\$	\$	-
Local revenues:			
Interest	41,602	18,543	60,145
Other	-	541,636	541,636
Total revenues	<u>41,602</u>	<u>560,179</u>	<u>601,781</u>
Expenditures			
Classified salaries	-	36,604	36,604
Employee benefits	-	13,587	13,587
Books and supplies	-	15,140	15,140
Services and other expenditures	-	2,725,199	2,725,199
Capital outlay	-	1,437,638	1,437,638
Total expenditures	<u>-</u>	<u>4,228,168</u>	<u>4,228,168</u>
Excess (deficiency) of revenues over (under) expenditures	41,602	(3,667,989)	(3,626,387)
Other financing sources (uses)			
Transfer in	-	3,794,817	3,794,817
Transfer out	(1,111,698)	(4,000)	(1,115,698)
Total other financing sources (uses)	<u>(1,111,698)</u>	<u>3,790,817</u>	<u>2,679,119</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(1,070,096)	122,828	(947,268)
Fund balances - July 1	<u>1,890,526</u>	<u>101,756</u>	<u>1,992,282</u>
Fund balances - June 30	<u>\$ 820,430</u>	<u>\$ 224,584</u>	<u>\$ 1,045,014</u>

The notes to the financial statements are an integral part of this statement

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BASIS) AND ACTUAL
NONMAJOR CAPITAL PROJECT FUNDS
FISCAL YEAR ENDED JUNE 30, 2005**

	County School Facilities			
	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Local revenues:				
Interest	\$ 20,000	\$ 20,000	\$ 41,602	\$ 21,602
Other	-	-	-	-
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>41,602</u>	<u>21,602</u>
Expenditures				
Certificated Salaries				
Classified salaries	-	-	-	-
Employee benefits	-	-	-	-
Books and supplies	-	-	-	-
Services and other expenditures	-	-	-	-
Capital outlay	2,071,055	-	-	-
Other outgo	-	-	-	-
Total expenditures	<u>2,071,055</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(2,051,055)	20,000	41,602	21,602
Other financing sources (uses)				
Transfer in	-	-	-	-
Transfer out	-	(762,887)	(1,111,698)	(348,811)
Total other financing sources (uses)	<u>-</u>	<u>(762,887)</u>	<u>(1,111,698)</u>	<u>(348,811)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(2,051,055)	(742,887)	(1,070,096)	(327,209)
Fund balances - July 1	1,890,526	1,890,526	1,890,526	-
Fund balances - June 30	<u>\$ (160,529)</u>	<u>\$ 1,147,639</u>	<u>\$ 820,430</u>	<u>\$ (327,209)</u>

The notes to the financial statements are an integral part of this statement

Special Reserve for Capital Outlay				Totals			
Original	Final	Actual (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
\$ 7,200	\$ 9,209	\$ 18,543	\$ 9,334	\$ 27,200	\$ 29,209	\$ 60,145	\$ 30,936
	400,252	541,636	141,384		400,252	541,636	141,384
7,200	409,461	560,179	150,718	27,200	429,461	601,781	172,320
36,242	36,604	36,604	-	36,242	36,604	36,604	-
12,804	13,691	13,587	104	12,804	13,691	13,587	104
485,585	592,071	15,140	576,931	485,585	592,071	15,140	576,931
4,185,369	4,270,733	2,725,199	1,545,534	4,185,369	4,270,733	2,725,199	1,545,534
-	300,000	1,437,638	(1,137,638)	2,071,055	300,000	1,437,638	(1,137,638)
-	-	-	-	-	-	-	-
4,720,000	5,213,099	4,228,168	984,931	6,791,055	5,213,099	4,228,168	984,931
(4,712,800)	(4,803,638)	(3,667,989)	1,135,649	(6,763,855)	(4,783,638)	(3,626,387)	1,157,251
4,720,000	4,863,102	3,794,817	(1,068,285)	4,720,000	4,863,102	3,794,817	(1,068,285)
(4,000)	(4,000)	(4,000)	-	(4,000)	(766,887)	(1,115,698)	(348,811)
4,716,000	4,859,102	3,790,817	(1,068,285)	4,716,000	4,096,215	2,679,119	(1,417,096)
3,200	55,464	122,828	67,364	(2,047,855)	(687,423)	(947,268)	(259,845)
101,756	101,756	101,756	-	1,992,282	1,992,282	1,992,282	-
\$ 104,956	\$ 157,220	\$ 224,584	\$ 67,364	\$ (55,573)	\$ 1,304,859	\$ 1,045,014	\$ (259,845)

The notes to the financial statements are an integral part of this statement

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
 BALANCE SHEET
 NONMAJOR DEBT SERVICE FUND
 JUNE 30, 2005**

	<u>Bond Interest and Redemption Fund</u>
Assets	
Cash in county treasury	\$ 6,039,511
Accounts receivable:	
Other sources:	
Interest	<u>36,089</u>
Total assets	<u><u>\$ 6,075,600</u></u>
 Fund balance	
Undesignated funds	<u>\$ 6,075,600</u>
Total fund balance	<u><u>\$ 6,075,600</u></u>

The notes to the financial statements are an integral part of this statement

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUND
FISCAL YEAR ENDED JUNE 30, 2005**

	Bond Interest and Redemption Fund
	<u> </u>
Revenues	
State revenues:	
Other	\$ 57,857
Local revenues:	
Interest	79,121
Other	5,838,620
Total revenues	<u> 5,975,598</u>
 Expenditures	
Debt service:	
Principal	3,400,000
Interest	1,507,497
Total expenditures	<u> 4,907,497</u>
 Excess of revenues over expenditures	 1,068,101
 Fund balance - July 1	 <u> 5,007,499</u>
Fund balance - June 30	<u><u> \$ 6,075,600</u></u>

The notes to the financial statements are an integral part of this statement

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BASIS) AND ACTUAL
NONMAJOR DEBT SERVICE FUND
FISCAL YEAR ENDED JUNE 30, 2005**

	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
Revenues				
State revenues:				
Other	\$ 55,725	\$ 55,725	\$ 57,857	\$ 2,132
Local revenues:				
Interest	23,000	23,000	79,121	56,121
Other	4,686,113	4,686,113	5,838,620	1,152,507
Total revenues	<u>4,764,838</u>	<u>4,764,838</u>	<u>5,975,598</u>	<u>1,210,760</u>
Expenditures				
Debt service:				
Principal	3,400,000	3,400,000	3,400,000	-
Interest	1,386,078	1,507,497	1,507,497	-
Total expenditures	<u>4,786,078</u>	<u>4,907,497</u>	<u>4,907,497</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(21,240)	(142,659)	1,068,101	1,210,760
Fund balance - July 1	<u>5,007,499</u>	<u>5,007,499</u>	<u>5,007,499</u>	<u>-</u>
Fund balance - June 30	<u>\$ 4,986,259</u>	<u>\$ 4,864,840</u>	<u>\$ 6,075,600</u>	<u>\$ 1,210,760</u>

The notes to the financial statements are an integral part of this statement

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 AGENCY FUNDS
 FOR FISCAL YEAR ENDED JUNE 30, 2005**

	<u>High School</u>	<u>Middle School</u>	<u>Totals 2005</u>
Assets			
Cash on Hand and in Banks	\$ 987,701	\$ 295,606	\$ 1,283,307
Accounts Receivable - Miscellaneous	11,076	4,956	16,032
Loans Receivable	10,000	-	10,000
Stores Inventory	79,134	29,814	108,948
Prepaid Expenditures	19,159	24,437	43,596
	<u>1,107,070</u>	<u>354,813</u>	<u>1,461,883</u>
 Total Assets	 <u>\$ 1,107,070</u>	 <u>\$ 354,813</u>	 <u>\$ 1,461,883</u>
 Liabilities			
Accounts Payable	\$ 137,045	\$ 67,269	\$ 204,314
Due to Student Groups	970,025	287,544	1,257,569
	<u>1,107,070</u>	<u>354,813</u>	<u>1,461,883</u>
 Total Liabilities	 <u>\$ 1,107,070</u>	 <u>\$ 354,813</u>	 <u>\$ 1,461,883</u>

The notes to the financial statements are an integral part of this statement.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR FISCAL YEAR ENDED JUNE 30, 2005**

	Balance June 30 2004	Additions	Deletions	Balance June 30 2005
HIGH SCHOOLS				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 895,921	\$ 4,088,973	\$ 3,997,193	\$ 987,701
Accounts Receivable	6,035	27,010	21,969	11,076
Prepaid Expenses	13,250	23,806	17,897	19,159
Loans Receivable	-	10,000	-	10,000
Stores Inventory	83,379	4,338	8,583	79,134
TOTAL ASSETS	\$ 998,585	\$ 4,154,127	\$ 4,045,642	\$ 1,107,070

<u>LIABILITIES</u>				
Accounts Payable	\$ 138,641	\$ 652,648	\$ 654,244	\$ 137,045
Due to Student Groups	859,944	3,089,105	2,979,024	970,025
TOTAL LIABILITIES	\$ 998,585	\$ 3,741,753	\$ 3,633,268	\$ 1,107,070

INTERMEDIATE SCHOOLS
ASSETS

Cash on Hand and in Banks	\$ 212,187	\$ 1,606,781	\$ 1,523,362	\$ 295,606
Accounts Receivable	709	13,477	9,230	4,956
Prepaid Expenses	33,262	32,163	40,988	24,437
Stores Inventory	18,164	15,577	3,927	29,814
TOTAL ASSETS	\$ 264,322	\$ 1,667,998	\$ 1,577,507	\$ 354,813

<u>LIABILITIES</u>				
Accounts Payable	\$ 34,418	\$ 67,268	\$ 34,417	\$ 67,269
Due to Student Groups	229,904	1,378,439	1,320,799	287,544
TOTAL LIABILITIES	\$ 264,322	\$ 1,445,707	\$ 1,355,216	\$ 354,813

TOTALS - ALL STUDENT BODY FUNDS
ASSETS

Cash on Hand and in Banks	\$ 1,108,108	\$ 5,695,754	\$ 5,520,555	\$ 1,283,307
Accounts Receivable	6,744	40,487	31,199	16,032
Prepaid Expenses	46,512	55,969	58,885	43,596
Loans Receivable	-	10,000	-	10,000
Stores Inventory	101,543	19,915	12,510	108,948
TOTAL ASSETS	\$ 1,262,907	\$ 5,822,125	\$ 5,623,149	\$ 1,461,883

<u>LIABILITIES</u>				
Accounts Payable	\$ 173,059	\$ 719,916	\$ 688,661	\$ 204,314
Due to Student Groups	1,089,848	4,467,544	4,299,823	1,257,569
TOTAL LIABILITIES	\$ 1,262,907	\$ 5,187,460	\$ 4,988,484	\$ 1,461,883

The notes to the financial statements are an integral part of this statement.

SUPPLEMENTARY INFORMATION SECTION

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
ORGANIZATION
JUNE 30, 2005**

The Conejo Valley Unified School District was unified on July 1, 1974, as a result of a general election. The District is comprised of an area of the former Valley Oaks and Timber Elementary School District and a portion of the Oxnard Union High School District that consists of approximately 139 square miles in the southeastern portion of Ventura County.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Mrs. Patricia Phelps	President	December, 2006
Mrs. Dolores Didio	Vice President	December, 2006
Mrs. Dorothy Beaubien	Clerk	December, 2006
Dr. Timothy Stephens	Member	December, 2006
Mr. Mike Dunn	Member	December, 2006

ADMINISTRATION

Dr. Robert Fraisse. - Superintendent of Schools

Dr. Jeffrey Baarstad - Assistant Superintendent, Business Services

Dr. Richard Simpson - Assistant Superintendent, Instruction Services

Ms. Jo-Ann Yoos - Assistant Superintendent, Personnel Services

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Second Period Report</u>	<u>Annual Report</u>
ELEMENTARY:		
Kindergarten	1,489	1,486
Grades 1 - 3	4,586	4,583
Grades 4 - 6	4,993	4,993
Grades 7 - 8	3,354	3,349
Home and Hospital	1	2
Special Education	328	336
ELEMENTARY TOTALS	<u>14,751</u>	<u>14,749</u>
HIGH SCHOOL:		
Grades 9 - 12	6,494	6,458
Continuation Education	212	203
Home and Hospital	1	1
Special Education	183	183
HIGH SCHOOL TOTALS	<u>6,890</u>	<u>6,845</u>
COUNTY SUPPLEMENT:		
Special Education	40	41
COUNTY SUPPLEMENT TOTALS	<u>40</u>	<u>41</u>
District K-12 ADA	<u>21,681</u>	<u>21,635</u>
Classes for Adults:		
Concurrently Enrolled	990	1,032
ADULT TOTALS	<u>990</u>	<u>1,032</u>
TOTALS	<u>22,671</u>	<u>22,667</u>
<u>Hours of Attendance</u>		
SUMMER SCHOOL HOURS OF ATTENDANCE		
Elementary	66,292	73,875
Secondary	137,158	137,158
TOTALS	<u>203,450</u>	<u>211,033</u>

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 FISCAL YEAR ENDED JUNE 30, 2005**

Grade Level	1982-83 Minutes Requirement	1986-87 Actual Minutes	2004-05 Actual Minutes	Annual Instructional Days	Status
Kindergarten	31,500	36,000	36,000	180	Complied
Grades 1 through 3	44,380	50,400	50,400	180	Complied
Grade 4 through 6	53,375	54,000	54,000	180	Complied
Grade 7 through 8	53,375	54,000	55,380	180	Complied
Grade 9 through 12	53,375	64,800	70,080	180	Complied

The District maintains 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.

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 46201 through 46206.

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**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS - GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2005**

	(Budget)* 2006	2005	2004
Revenues and other financial sources	149,726,931	151,193,618	141,308,023
Expenditures	146,746,023	148,125,220	142,354,279
Other uses and transfers out	1,181,442	4,431,468	1,732,034
Total outgo	147,927,465	152,556,688	144,086,313
Change in fund balance	1,799,466	(1,363,070)	(2,778,290)
Ending balance	8,840,899	7,041,433	8,404,503
Available reserves	\$ 4,437,824	\$ 6,809,605	\$ 7,124,197
Available reserves as a percentage of total outgo	3.00%	4.46%	4.94%
Total long-term debt	76,458,782	82,194,078	66,987,494
Average daily attendance at P-2**	21,724	21,681	21,476

* Budget 2006 is included for analytical purposes only and has not been subjected to audit.

**Excludes ADA derived from Adult Education.

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.

See accompanying note to supplementary information.

2003	2002	2001	2000
<u>\$ 141,052,735</u>	<u>\$ 138,968,398</u>	<u>\$ 132,584,141</u>	<u>\$ 117,202,296</u>
142,189,423	140,556,311	129,316,691	113,626,379
515,064	1,081,910	1,363,224	993,284
<u>142,704,487</u>	<u>141,638,221</u>	<u>130,679,915</u>	<u>114,619,663</u>
(1,651,752)	(2,669,823)	1,904,226	2,582,633
<u>\$ 11,182,793</u>	<u>\$ 12,834,545</u>	<u>\$ 15,504,368</u>	<u>\$ 13,600,142</u>
<u>\$ 9,802,589</u>	<u>\$ 4,471,865</u>	<u>\$ 15,004,588</u>	<u>\$ 13,015,389</u>
6.87%	3.16%	11.48%	11.36%
68,825,674	70,236,729	63,856,001	32,121,527
21,129	20,542	20,198	19,832

See accompanying note to supplementary information.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2005**

Program Name	Federal CFDA No.	Pass-through Entity Identifying No.	Federal Expenditures
U.S. Department of Education:			
<u>Passed through California Department of Education (CDE):</u>			
NCLB Title I, Part A - AFDC and Neglected	84.010	03797	1,192,380
NCLB Title II, Part A - Teacher and Principal Training and Recruiting Fund	84.367	-	481,484
NCLB Title III, Part A - Limited English Proficient Student Program	84.365	10084	231,640
NCLB Title IV - Safe and Drug-free Schools	84.184	03453	75,566
NCLB Title VI - Innovative Education Strategies	84.298	03340	45,081
Carl D. Perkins Vocational and Applied Technology Secondary Grants	84.048	03924	82,009
Transition Partnership Program	84.158	10006	208,093
<u>Passed through Ventura County Office of Education SELPA:</u>			
IDEA - Local Assistance	84.027A	03379	3,177,465
IDEA - Federal Preschool	84.173A	03430	232,013
IDEA - Infant Discretionary	84.027A	03612	21,409
IDEA - Low Incidence Entitlement	84.027A	03459	2,326
IDEA - Workability I Program			101,498
<u>Passed through the Center for Civic Education:</u>			
Civic Center Education	84.292A	[1]	341
Total U.S. Department of Education			<u>5,851,305</u>
U.S. Department of Agriculture:			
<u>Passed through California Department of Education (CDE):</u>			
Basic Breakfast	10.553	03390	22,493
Especially Needy Breakfast	10.553	03390	919,317
National School Lunch Program	10.555	03396	194,717
Total U.S. Department of Agriculture			<u>1,136,527</u>
Total Expenditures of Federal Awards			<u>\$ 6,987,832</u>

[1] Pass-Through Identifying Number was not available

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Building Fund</u>	<u>Capital Facilities Fund</u>	<u>Internal Service Fund</u>
June 30, 2005, Annual Financial and Budget Report Fund Balance			
Unaudited Actuals	\$ 12,943,337	\$ 7,418	\$ 2,273,602
Adjustment:			
(Decrease) in the Fund Balance:		-	
Increase in accounts payable	(191,899)	(99,927)	
Increase in claims liability			(8,321,576)
June 30, 2005, Audited Financial Statement Fund Balance	<u>\$ 12,751,438</u>	<u>\$ (92,509)</u>	<u>\$ (6,047,974)</u>
			<u>General Long- Term Debt Account Group</u>
June 30, 2005, Annual Financial and Budget Report Total Liabilities			
Unaudited Actuals			\$ 58,962,741
Adjustment:			
Increase in:			
General obligation bond accreted principal			7,212,963
General obligation bond principal			16,015,000
Energy conservation loans			3,374
June 30, 2005, Audited Financial and Budget Report Total Liabilities			<u>\$ 82,194,078</u>

See accompanying note to supplementary information.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 1 - PURPOSE OF SCHEDULES

A. Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionment 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.

B. 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 46201 through 46206.

C. Schedule of Financial Trends and Analysis

The 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.

D. Schedule of Expenditures of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. The schedule was prepared to comply with OMB Circular A-133 and state requirements.

E. 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 Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

OTHER REPORTS SECTION

**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**

Board of Education
Conejo Valley Unified School District

We have audited the financial statements of the Conejo Valley Unified School District (the "District") as of and for the year ended June 30, 2005, and have issued our report thereon dated December 22, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

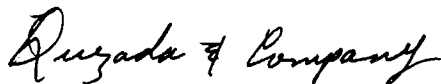
In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matter involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 05-1 through 05-5.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the District's Board of Education, management, and 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.



Pasadena, California
December 22, 2005

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Board of Education
Conejo Valley Unified School District

Compliance

We have audited the compliance of the Conejo Valley Unified School District (the "District") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of auditor's 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 the District's management. Our responsibility is to express an opinion on 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 the 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 on the District's compliance with those requirements.

In our opinion, Conejo Valley Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control structure that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by the error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the District Board of Education, management, 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.

Quigada & Company

Pasadena, California
December 22, 2005

REPORT OF INDEPENDENT AUDITORS ON STATE COMPLIANCE

Board of Education
 Conejo Valley Unified School District

We have audited the general purpose financial statements of Conejo Valley Unified School District (the "District"), as of and for the year ended June 30, 2005, and have issued our report thereon dated December 22, 2005. Our audit was made 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 State Controller's *Standard and Procedures for Audits of California K-12 Local Educational Agencies*. 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.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures in Controller's Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance reporting	8	Yes
Kindergarten continuation	3	Yes
Independent study	22	Yes
Continuation education	10	Yes
Adult education	9	Yes
Regional occupational center/programs	6	Not applicable*
Instructional time and staff development reform program	7	Yes
Incentive for longer instructional day:		
School districts	4	Yes
County Offices of Education	3	Not applicable*
Community day schools	9	Not applicable*

<u>Description</u>	<u>Procedures in Controller's Audit Guide</u>	<u>Procedures Performed</u>
Class size reduction program:		
General requirements	7	Yes
Option one	3	Yes
Option two	4	Not applicable*
District or charter schools with only one school serving K-3	4	Not applicable*
Instructional materials general requirements:		
General Requirements	9	Yes
K-8 only	1	Yes
Grade 9-12 only	1	Yes
Ratios of administrative employees to teachers	1	Yes
Early retirement incentive program	4	Not applicable*
GANN limit calculation	1	Yes
School construction fund:		
School districts bonds	3	Yes
State school facilities bonds	1	Yes
Alternative pension plans	2	Yes
Proposition 20 Lottery Funds (Cardenas Textbooks Act of 2000)	2	Yes
California School Age Families Education (CAL-SAFE) Program	3	Not Applicable*
School Accountability report card	3	Yes

* The District did not receive funding for these programs, thus the proposed audit steps are not applicable.

Based on our audit, we found that, for the items tested, the District complied with the state laws and regulations referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Conejo Valley Unified School District had not complied with the state laws and regulations, except as described in Findings 05-06 and 05-07 of the Findings and Recommendations section of this report.

This report is intended solely for the information and use of the audit committee, management, State Controller's Office, Department of Finance, Department of Education, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Quzada & Company

Pasadena, California
December 22, 2005

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FINDINGS AND RECOMMENDATIONS SECTION

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COST
 FISCAL YEAR ENDED JUNE 30, 2005**

Part I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: *Unqualified*

Internal control over financial reporting:
 Material weakness(es) identified? _____ Yes No
 Reportable condition(s) identified not considered
 to be material weaknesses? Yes _____ None reported

Noncompliance material to financial statements noted? _____ Yes No

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? _____ Yes No
 Reportable condition(s) identified not considered
 to be material weaknesses? _____ Yes None reported

Type of auditors’ report issued on compliance for
 Major programs: *Unqualified*

Any audit findings disclosed that are required to be
 Reported in accordance with Circular A-133,
 Section .510(a) _____ Yes No

Identification of major programs

CFDA Number

84.010

184.367

Name of Federal Program or Cluster

NCLB Title I, Part A-AFDC and Neglected
 NCLB Title II, Part A-Teacher and Principal Training
 and Recruiting Fund

Dollar threshold used to distinguish between Type
 A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes _____ No

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COST
 FISCAL YEAR ENDED JUNE 30, 2005**

State Awards

Internal control over state programs:

Material weakness(es) identified? _____ Yes No

Reportable condition(s) identified not considered
 To be material weaknesses? Yes _____ None reported

Type of auditors' report issued on compliance for
 state programs:

Qualified

Part II – Financial Statement Findings

05-1 ASB Internal Control – No Revenue Potential used - Westlake High School, Sycamore Canyon Middle School and Sequoia Middle School Condition (30000)

Condition

During test of transaction of cash receipt at Westlake High School, Sycamore Canyon Middle School, and Sequoia Middle School, it was noted that the revenue potential form was not fully utilized for ASB activities. It only shows the actual collection from the activities.

Criteria

Per *Accounting Procedures for Student Organizations*, utilization of these financial forecasting tools provides better control over the funds collected and deposited for fundraisers and overall financial planning.

Effect

In the absence of the duly accomplished revenue potential form, the ASB would not have a better control and monitoring mechanism over its revenue activities and funds.

Recommendation

The school district should implement a policy to enforce the use of revenue potential analysis that provides a comparison of the actual and estimated gross income and profit.

District Response

The District policy requires all schools to complete a “Revenue Potential” form in advance of all major fundraiser’s activities.

05-2 ASB Internal Control – Minutes of meeting – Westlake High School, Sycamore Canyon Middle School and Sequoia Middle School Condition (30000)

Condition

During tests of expenditures at Westlake High School, Sycamore Canyon Middle School, and Sequoia Middle School, it was noted that approval by the student body for some expenditures were not included in the minutes of ASB meeting.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COST
FISCAL YEAR ENDED JUNE 30, 2005**

Criteria

The student body organization should keep files of records of minutes of each meeting. The minutes of meeting should include the details of proceedings, including financial matters pertaining to the budget, approval of fund-raising ventures, and expenditures authorizations. Each motion must be reported.

Effect

By not having the student body minutes documenting the approval of the expenditures, there is insufficient evidence that these expenses are for the benefit of the student body.

Recommendation

The school district should enforce policy to ensure that all the matters, financial and non-financial, related to the student body funds are included in the minutes of ASB meeting.

District Response

The District requires that all ASB meeting be complete with every item discussed and all financial matters included within the ABS minutes. The District will monitor this periodically.

05-3 ASB Internal Control – Principal fund– Westlake High School (30000)

Condition

During test of transactions, we noted that one thousand five hundred dollars (\$1,500) of the student body fund is budgeted to hospitality expenses. We gathered that the use of the fund is under the discretion of the school principal. Sample expenditure from the fund is snacks for teachers' meeting.

Criteria

The *Accounting Procedures for Student Organizations* states that student body funds may be used to conduct activities on behalf of the students with approval of ASB officers. In addition, student body funds should be spent to enhance the welfare of the general student body (not employees) and not a particular group.

Effect

Appropriations of ASB funds for particular purposes which are not related to the welfare of the general student body are not in compliance with the purpose of the ASB fund.

Recommendation

The district should enforce guidelines and policies with regards to the use of student body funds and ensure that the funds are used to enhance the welfare of the general student body and not of a particular group.

District Response

The District policy requires that all ASB funds raised by students are to benefit students and student activities only.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COST
FISCAL YEAR ENDED JUNE 30, 2005**

05-4 ASB Internal Control – Food sales conducted during the school year – Westlake High School (30000)

Condition

The review of the ASB calendar of activities disclosed that the student organization approved and conducted bagel and candy sale every week during the school year 2004-2005.

Criteria

Per *Accounting Procedures for Student Organizations*, the student organization may approve to sell food at any time during the school day provided that any one or more student organizations conducts no more than four (4) food sales of any food items during the school year in each school, but such sales shall be held on the same four days for any or all organization.

Effect

Conducting food sales events for more than four (4) times a year is not in compliance with the ASB policies and procedures. Such excessive sale events interfere with the ability of the students to continuously receive nutritious lunch.

Recommendation

The district should develop and implement policies concerning the sale of foods by the student organization to ensure compliance with the ASB requirements.

District Response

The District has Competitive Food Sales Guidelines that assure school site compliance with existing laws and regulations pertaining to the sale of food items to students.

05-5 Recording of Capital Assets – Construction in Progress

Condition

We noted during the audit that some construction in progress amounts reflected in the fixed assets listing were recorded and depreciated based on the full contract amount regardless of the related percentage of completion of each projects.

Criteria

Generally accepted accounting principle requires that construction-in-progress accounts be recorded based on actual expenses incurred and depreciated if already put into service.

Effect

Recording of construction-in-progress amounts based on full contract amount results to overstatement of recorded cost of capital assets and depreciation expense.

Recommendation

The district should establish procedures that ensure adherence to accounting policies with regards to the correctness/propriety of recording and monitoring of capital assets.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COST
FISCAL YEAR ENDED JUNE 30, 2005**

District Response

The District has implemented a new procedure that all capitalized assets in progress will be recorded as a Work in Progress and a separate asset list will be reconciled at year end for capitalization.

Part III – Federal Award Findings Section

No matters were reported.

Part IV – State Findings Section

05-6 Inaccurate Attendance Accounting - Adult School (10000)

Condition

The review of attendance accounting for the district's adult school disclosed that student attendance are calculated based on actual minutes of student attendance, rounded off to the nearest 30 minutes. We also noted that attendance reported for apportionment exceeded the 15 hour of attendance per school week per student.

Criteria

Adult Handbook of California states that apportionment generated by students enrolled in a laboratory setting shall be calculated base on the number of minutes of student attendance. Laboratory classes do not allow for the rounding of attendance to full hour attendance. In addition, the Legislature has imposed certain limits on the amount of apportionment an individual student may generate in one week period. In classes for adults, a day of attendance is 180 minutes of attendance, but no student shall be credited with more that 15 clock hours of attendance per school week, proportionally reduced for those school weeks having weekday holidays on which classes are not held.

Effect

The amount of error potentially included by rounding to the nearest quarter hour could not be determined.

Recommendation

The school district should ensure that attendance accounting and reporting is in compliance with state requirements. In addition, the district should revise P-2 report to reflect the accurate apportionment entitled to be received.

District Response

The attendance for the laboratory classes is currently recorded by the hour and minute. The current attendance software is state approved and records only in half hour increments. The District is investigating if there is software that will meet state requirements to record by the minute.

05-7 Inaccurate recording of attendance for daily attendance records – Ladera Elementary School and Westlake High School (10000)

Condition

During the test of attendance procedures at Ladera Elementary School, we noted that, for three (3) absences out of one hundred thirty three (133) absent days tested, the reported attendance in the school attendance register does not agree with the Teacher's Attendance Roster. The school should not have claimed ADA apportionments for the three (3) days of absences.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COST
FISCAL YEAR ENDED JUNE 30, 2005**

During the test of attendance procedures at Westlake High School, we noted that, for twenty seven (27) out of one hundred sixty seven (167) attendance days tested, the reported attendance in the school attendance register does not agree with the Teacher's Attendance Roster. However, only one (1) ADA apportionment day is over claimed.

Criteria

According to Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Sections 401 and 421(b) and Education Code 44809, each Local Educational Agency must develop and maintain accurate and adequate attendance records to support the attendance reported to the State.

Effect

The above finding resulted to overstatement of \$110 in total of amount claimed and calculated as follows:

Elementary ADA effect: $3/180 * \$4950.49 =$	\$82.50
High School ADA effect: $1/180 * \$4950.49 =$	<u>\$27.50</u>
Total	<u>\$110.00</u>

Recommendation

The school district should ensure that reported average daily attendance is based on the attendance certified by the teachers. The teacher should take full responsibility for the certification. The school district attendance official should also ensure that policies and procedures in attendance keeping are properly implemented in all the schools within the district. We do not recommend filing of corrected P2 attendance report because the total effect is less than one (1) ADA.

District Response

The District has emphasized that the guidelines and policies regarding correct attendance accounting be followed.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2005**

Finding	Recommendation	Status
<p>04-1 ASB Internal Control – No Revenue Potential used at Colina Middle School and Los Cerritos Middle School (30000)</p>	<p>The school district should implement a policy to enforce the use of revenue potential analysis that provides a comparison of the actual and estimated gross income and profit.</p>	<p>The District has issued Associated Student Body policies to be implemented at all sites.</p>
<p>04-2 ASB Internal Control – Self Operation Vending Machine at Colina Middle School (30000)</p>	<p>The District should enforce guidelines and policies with regard to the vending machine operations. The District should determine on who should handle the contracting – ASB or the District. The District should also determine whether to allow the student body to operate directly the vending machine. The policies should require coordination with the food services department with regard to items to be sold and the timing of vending machine operation to ensure there is no competition with school cafeteria operation.</p>	<p>The District has established guidelines for vending machine operations and Colina Middle School is operating on a commission basis only.</p>
<p>04-3 ASB Internal Control – Sales Tax on Self Operation Vending Machine at Colina Middle School (30000)</p>	<p>The District should establish a policy to require the school ASB’s self operated vending machine to assign individual responsible to report and pay the sales tax as stated in the <i>Code of Regulation, Division 2, Chapter 4, Article 6</i>. In addition, the ASB should adhere to the <i>State of California Board of Equalization, Regulation 1574 Vending Machine Operators</i> for Sales Tax regulations and guidelines.</p>	<p>The District has established guidelines for vending machine operations and Colina Middle School is operating on a commission basis only.</p>

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2005**

Finding	Recommendation	Status
<p>04-4 ASB Internal Control – Payment made to CASH – Los Cerritos Middle School (30000)</p>	<p>The school district should implement a policy to ensure that check payments are not issued to “cash”. The expenditure should be submitted with sufficient documentation as an audit trail to support the amount and purpose of the expenditure. In addition, the ASB should appoint a designated person who will be the payee in situation where cash payment need to be made.</p>	<p>The District has issued cash handling procedures to be implemented at all school site</p>
<p>04-5 Attendance (10000)</p>	<p>The school district should emphasize the state requirement for every teacher to sign and date attendance record on daily basis. The District should advise and/or provide training to teachers about the importance of proper attendance accounting and how attendance can not be considered complete without the teachers’ signatures and date.</p>	<p>The District has emphasized the state requirement for every teacher to sign and date all of the attendance documentation.</p>

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2005**

Finding	Recommendation	Status
<p>04-6 Class Size Reduction in Grade Nine – Miscalculation of average class size (40000)</p>	<p>The District should amend the J-9MH-A report to ensure receipt of the funding it is entitled to.</p>	<p>The District has amended the J-9MH-A to correctly state the enrollment numbers. The completed forms have been submitted to the California Department of Education.</p>
<p>During the review of Form J-9MH-A Class Size Reduction in Grade Nine and supporting documents for the purpose of determining whether the calculation is mathematically correct, we noted that the District included teacher assistant in the enrollment count for section 8 of English class at Newbury Park High School, which brought reported average pupils to 22.3. As a result, the District’s enrollment was overstated by 23 students and the District was over-funded by \$4,140 (23 enrollments of \$180 each).</p>		