

**CONEJO VALLEY UNIFIED
SCHOOL DISTRICT**

COUNTY OF VENTURA

**THOUSAND OAKS, CALIFORNIA
AUDIT REPORT**

FISCAL YEAR ENDED JUNE 30, 2006

CONEJO VALLEY UNIFIED SCHOOL DISTRICT
Thousand Oaks, California

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
AND SUPPLEMENTARY INFORMATION**

Fiscal Year Ended June 30, 2006

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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, each major fund, and the aggregate remaining fund information of the Conejo Valley Unified School District (the "District") as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express 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, each major fund, and the aggregate remaining fund information of the District as of June 30, 2006, 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 November 22, 2006 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 accounting principles generally accepted in the United States of America. 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.

Quezada & Company

Pasadena, California
November 22, 2006



Conejo Valley Unified School District

BUSINESS SERVICES

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Robert Fraisse, Ph.D.
Superintendent

Jeff Baarstad, Ph.D.
*Assistant Superintendent
Business Services*

This section of Conejo Valley Unified School District's 2005-2006 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2006. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the 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, 2006**

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 evaluation 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.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2006**

Governmental funds – Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds – When the District charges users for the services it provides, whether to outside customers or 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 \$59.642 million for the fiscal year ended June 30, 2006. Of this amount, approximately \$15.047 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 (in millions of dollars).

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2006**

TABLE 1

NET ASSETS (in millions of dollars)

	Governmental Activities	Business-Type Activities	School District Activities
Current and other assets	\$ 40.065	\$ -	\$ 40.065
Inventories	0.338	-	0.338
Capital assets (land)	18.671	-	18.671
Depreciable assets (net)	101.194	-	101.194
Total assets	<u>160.268</u>	<u>-</u>	<u>160.268</u>
Current liabilities	17.515	-	17.515
Outstanding debt	83.111	-	83.111
Total liabilities	<u>100.626</u>	<u>-</u>	<u>100.626</u>
Total net assets	<u>\$ 59.642</u>	<u>\$ -</u>	<u>\$ 59.642</u>

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2006**

CHANGES IN NET ASSETS

	Governmental Activities
Revenues	
Instruction	\$ 21,422,514
Instruction related	1,826,948
Pupil services	7,009,706
General administration	568,642
Plant services	263,091
Ancillary services	3,134
Community services	736,729
Enterprise activities	46,330
Other outgo	703,968
General revenue and subventions	129,917,207
Interest and investment earnings	1,485,200
Miscellaneous	14,798,437
Total revenues	<u>\$ 178,781,906</u>
Expenses	
Instruction	\$ 112,267,697
Instruction related	17,466,723
Pupil services	12,573,482
General administration	8,318,839
Plant services	15,465,675
Ancillary services	1,912,096
Community services	726,012
Enterprise activities	3,631,225
Interest on long-term debt	1,883,768
Other outgo	1,197,650
Depreciation (unallocated)	4,265,904
Total expenses	<u>\$ 179,709,071</u>
Change in net assets	<u><u>\$ (927,165)</u></u>

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2006**

Governmental Activities

As reported in Table 2, the cost of all of our governmental activities this year was \$179.709 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$76.101 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)**

	Total Cost	Net Cost
Instruction	\$ 112.268	\$ 81.211
Supervision of Instruction	3.260	2.418
Instructional Library, Media and Technology	1.381	1.381
School Site Administrator	12.826	11.841
Home-to-School Transportation	1.606	0.571
Food Services	4.678	(0.125)
Other Pupil Services	6.288	5.118
Data Processing	2.145	2.145
Other General Administration	6.174	5.605
Plant Services	15.466	15.203
Ancillary Services	1.912	1.909
Community Services	0.726	(0.011)
Enterprise Activities	3.631	3.585
Interest on Long-Term Debt	1.884	1.884
Other Outgo	1.198	0.494
Depreciation (unallocated)	4.266	4.265
Total Governmental-Type Activities	\$ 179.709	\$ 137.494

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2006**

**CAPITAL ASSET AND DEBT ADMINISTRATION
(in millions of dollars)**

Capital Assets

At June 30, 2006, the District had \$118.864 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	84.492
Construction in Progress	14.128
Equipment	1.573
Total	<u>\$ 118.864</u>

Major addition included (in millions):

Colina Two Story Classroom	\$ 1.706
Modernization projects	7.168
NPHS Classroom	0.925

This year's major additions included the construction of Colina Middle School two story classrooms, modernization projects including Newbury Park High School classrooms. Colina Middle School and Newbury Park High School classrooms were paid for using Developers Fees, and Modernization projects using General Obligation Bonds. Several capital and modernization projects are planned for the 2006-2007 year. We anticipate capital additions to be over \$9 million, and modernization projects to be \$2.2 million.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2006**

Long-Term Debt

At the end of this year, the District had \$79.489 million in bonds outstanding versus \$81.538 million last year.

	<u>Activities</u>
General obligation bonds	\$ 79.489
Compensated absences	0.615
Capital leases payable	2.995
Other - energy loans	0.012
Totals	<u>\$ 83.111</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 \$83.111 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, 2006**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2006-2007 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	9,379
Intermediate	30:1	4,973
High School	30:1	7,362
Special Education	30:1	464
Totals		<u>22,178</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, 2006

	Government	Business-type		Component Unit
	Activities	Activities	Total	Conejo Valley
				Educational
				Foundation
Assets				
Cash and cash equivalents	\$ 26,658,097	\$ -	\$ 26,658,097	\$ 228,553
Accounts receivables	13,407,937	-	13,407,937	49,496
Inventories and prepaid expenses	338,604	-	338,604	-
Capital assets:				
Land	18,671,449	-	18,671,449	-
Land improvement	13,700,295	-	13,700,295	-
Construction in progress	14,128,192	-	14,128,192	-
Buildings and improvements	131,800,153	-	131,800,153	-
Furniture and equipment	3,119,685	-	3,119,685	-
Less: accumulated depreciation	(61,555,843)	-	(61,555,843)	-
Total capital assets, net of depreciation	<u>119,863,931</u>	<u>-</u>	<u>119,863,931</u>	<u>-</u>
Total assets	<u>\$ 160,268,569</u>	<u>\$ -</u>	<u>\$ 160,268,569</u>	<u>\$ 278,049</u>
Liabilities				
Accounts payable and other current liabilities	\$ 15,399,119	\$ -	\$ 15,399,119	\$ 161,162
Accrued interest	779,283	-	779,283	-
Deferred revenue	1,336,921	-	1,336,921	-
Long-term liabilities:				
Due within one year	7,185,971	-	7,185,971	-
Due after one year	<u>75,925,434</u>	<u>-</u>	<u>75,925,434</u>	<u>-</u>
Total liabilities	<u>\$ 100,626,728</u>	<u>\$ -</u>	<u>100,626,728</u>	<u>\$ 161,162</u>
Net assets				
Invested in capital assets, net of related debt	\$ 36,752,526	\$ -	\$ 36,752,526	\$ -
Restricted for:				
Capital projects	7,843,116	-	7,843,116	-
Unrestricted	<u>15,046,199</u>	<u>-</u>	<u>15,046,199</u>	<u>116,887</u>
Total net assets	<u>\$ 59,641,841</u>	<u>\$ -</u>	<u>\$ 59,641,841</u>	<u>\$ 116,887</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, 2006**

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
Government Activities			
Instruction	\$ 112,267,697	\$ 1,046,540	\$ 20,375,974
Instructional-related services:			
Supervision of instruction	3,259,990	-	842,043
Instructional library, media and technology	1,381,137	-	635
School site administration	12,825,596	182,224	802,046
Pupil services:			
Home-to-school transportation	1,605,605	170,440	864,016
Food services	4,679,571	3,519,754	1,285,316
All other pupil services	6,288,306	13,645	1,156,535
General administration:			
Data processing	2,144,674	-	-
All other general administration	6,174,165	116,431	452,211
Plant services	15,465,675	82,786	180,305
Ancillary services	1,912,096	-	3,134
Community services	726,012	-	736,729
Enterprise activities	3,631,225	16,226	30,104
Interest on long-term debt	1,883,768	-	-
Other outgo	1,197,650	46,974	656,994
Depreciation (unallocated)	4,265,904	-	-
Total governmental activities	<u>\$ 179,709,071</u>	<u>\$ 5,195,020</u>	<u>\$ 27,386,042</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 Conejo Valley Educational Foundation
	Governmental Activities	Business-type Activities	Total	
\$ 9,634,031	\$ (81,211,152)	\$ -	\$ (81,211,152)	\$ -
-	(2,417,947)	-	(2,417,947)	-
-	(1,380,502)	-	(1,380,502)	-
-	(11,841,326)	-	(11,841,326)	-
-	(571,149)	-	(571,149)	-
-	125,499	-	125,499	-
-	(5,118,126)	-	(5,118,126)	-
-	(2,144,674)	-	(2,144,674)	-
-	(5,605,523)	-	(5,605,523)	-
-	(15,202,584)	-	(15,202,584)	-
-	(1,908,962)	-	(1,908,962)	-
-	10,717	-	10,717	-
-	(3,584,895)	-	(3,584,895)	-
-	(1,883,768)	-	(1,883,768)	-
-	(493,682)	-	(493,682)	-
-	(4,265,904)	-	(4,265,904)	-
<u>\$ 9,634,031</u>	<u>\$ (137,493,978)</u>	<u>\$ -</u>	<u>\$ (137,493,978)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,265</u>
	\$ 70,002,706	\$ -	\$ 70,002,706	\$ -
	6,098,179	-	6,098,179	-
	53,301,608	-	53,301,608	-
	1,485,200	-	1,485,200	-
	514,714	-	514,714	-
	14,798,437	-	14,798,437	-
	<u>146,200,844</u>	<u>-</u>	<u>146,200,844</u>	<u>\$ -</u>
	8,706,866	-	8,706,866	89,265
	50,934,975	-	50,934,975	27,622
	<u>\$ 59,641,841</u>	<u>\$ -</u>	<u>\$ 59,641,841</u>	<u>\$ 116,887</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, 2006

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash in county treasury	\$ 1,515,735	\$ 7,398,032	\$ 221,477	\$ 6,296,507	\$ 5,352,778	\$ 20,784,528
Cash on hand and in banks	3,000	-	-	-	4,520	7,520
Cash in revolving fund	30,000	-	-	-	-	30,000
Accounts receivable:						
Federal government	2,054,613	-	-	-	342,170	2,396,783
State government	5,622,628	-	-	-	71,227	5,693,855
Other sources:						
Interest	312,816	8,642	-	55,276	48,464	425,198
Other	1,773,706	-	2,452,980	-	50,062	4,276,748
Due from other funds	1,932,722	877,029	2,900	-	575,347	3,387,998
Stores inventory	252,699	-	-	-	85,905	338,604
Total assets	\$ 13,497,918	\$ 8,283,703	\$ 2,677,357	\$ 6,351,783	\$ 6,530,473	\$ 37,341,235
Liabilities and fund balances						
Liabilities:						
Accounts payable	\$ 2,971,532	\$ 704,344	\$ 820,391	-	\$ 334,226	\$ 4,830,495
Other current liabilities	144,550	-	-	-	-	144,550
Due to other funds	450,690	48,762	1,981,015	-	925,395	3,405,862
Deferred revenue	905,753	8,500	-	-	422,668	1,336,921
Total liabilities	4,472,525	761,606	2,801,407	-	1,682,290	9,717,828
Fund balances:						
Reserved funds	285,699	-	-	-	85,905	371,604
Unreserved:						
Designated special purposes	7,843,116	-	-	-	-	7,843,116
Undesignated funds	896,578	7,522,097	(124,050)	6,351,783	4,762,278	19,408,686
Total fund balances	9,025,393	7,522,097	(124,050)	6,351,783	4,848,183	27,623,406
Total liabilities and fund balances	\$ 13,497,918	\$ 8,283,703	\$ 2,677,357	\$ 6,351,783	\$ 6,530,473	\$ 37,341,235

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, 2006**

Total fund balances - governmental funds		\$ 27,623,406
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 \$181,419,774 and the accumulated depreciation is \$61,555,843.		119,863,931
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		(779,283)
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		(3,954,808)
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	\$ (70,320,143)	
Capital appreciation bonds payable - accretion of interest to date	(9,169,008)	
Capital leases payable	(2,994,715)	
Energy loans	(12,394)	
Compensated absences (vacation)	(615,145)	(83,111,405)
Total net assets - governmental activities		<u>\$ 59,641,841</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, 2006**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Capital Facilities Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
Revenue limit sources:						
State apportionment	\$ 42,430,386	\$ -	\$ -	-	\$ 2,395,185	\$ 44,825,571
Local sources	70,792,291	-	-	-	-	70,792,291
Total revenue limit	113,222,677	-	-	-	2,395,185	115,617,862
Federal sources	5,779,366	-	-	-	1,414,091	7,193,457
Other state sources	19,543,428	-	-	55,206	10,820,413	30,419,046
Other local sources:						
Interest	770,634	161,017	36,320	134,219	209,618	1,311,809
Other	15,756,752	-	5,426,918	6,042,974	9,051,312	36,277,955
Total revenues	155,072,856	161,017	5,463,238	6,232,399	23,890,620	190,820,130
Expenditures						
Certificated salaries	78,303,137	-	-	-	1,741,889	80,045,027
Classified salaries	22,318,421	253,222	77,235	-	5,041,603	27,690,480
Employee benefits	30,369,732	85,595	27,189	-	1,810,552	32,293,068
Books and supplies	7,343,009	72,450	66,889	-	3,029,077	10,511,425
Services and other expenditures	13,857,784	12,762,377	1,994,050	-	1,920,730	30,534,941
Capital outlay	169,750	1,115,309	2,495,738	-	253,712	4,034,509
Other outgo	1,222,958	-	443,248	-	-	1,666,206
(Direct support)/indirect costs	(614,627)	-	-	-	614,627	-
Debt service:						
Principal	-	-	-	4,005,000	-	4,005,000
Interest	-	-	-	1,951,215	-	1,951,215
Total expenditures	152,970,164	14,288,952	5,104,348	5,956,215	14,412,190	192,731,870
Excess (deficiency) of revenues over (under) expenditures	2,102,692	(14,127,935)	358,890	276,184	9,478,429	(1,911,740)
Other financing sources (uses)						
Transfer in	1,386,769	9,773,783	-	-	1,505,502	12,666,054
Transfer out	(1,505,502)	(875,189)	(390,432)	-	(9,454,931)	(12,226,054)
Other sources/(uses)	-	-	-	-	-	-
Total other financing sources (uses)	(118,733)	8,898,594	(390,432)	-	(7,949,429)	440,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	1,983,959	(5,229,341)	(31,541)	276,184	1,529,000	(1,471,740)
Fund balances - July 1	7,041,433	12,751,438	(92,509)	6,075,600	3,319,183	29,095,146
Fund balances - June 30	\$ 9,025,393	\$ 7,522,097	\$ (124,050)	\$ 6,351,783	\$ 4,848,183	\$ 27,623,406

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, 2006**

Total net change in fund balances - governmental funds \$ (1,471,740)

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	\$ 13,201,223	
Depreciation	<u>(4,265,904)</u>	8,935,319

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 (1,956,044)

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 more than the amounts earned by \$4,897. 4,897

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)	4,005,000	
Increase in capital leases (principal only)	(2,994,715)	
Decrease in energy loans	<u>23,535</u>	1,033,820

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. 67,448

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.

	<u>2,093,166</u>	
Change in net assets of governmental activities	<u>\$ 8,706,866</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 BUDGET AND ACTUAL (GAAP)
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2006**

	Original	Final	Actual (GAAP Basis)	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Revenue limit sources:				
State apportionment	\$ 46,791,513	\$ 38,656,659	\$ 42,430,386	\$ 3,773,727
Local sources	66,278,057	74,537,009	70,792,291	(3,744,718)
Total revenue limit	113,069,570	113,193,668	113,222,677	29,009
Federal sources	5,830,617	6,043,963	5,779,366	(264,597)
Other state sources	17,419,064	18,776,945	19,543,428	766,483
Other local sources	12,538,680	15,656,023	16,527,386	871,363
Total revenues	148,857,931	153,670,599	155,072,856	1,402,257
Expenditures				
Certificated salaries	76,254,592	78,370,982	78,303,137	67,845
Classified salaries	19,539,937	20,893,872	22,318,421	(1,424,549)
Employee benefits	30,370,669	30,169,728	30,369,732	(200,004)
Books and supplies	8,327,218	12,924,008	7,343,009	5,580,999
Services and other expenditures	11,593,749	12,783,870	13,857,784	(1,073,914)
Capital outlay	90,195	157,737	169,750	(12,013)
Other outgo	1,355,308	1,238,727	1,222,958	15,769
Direct support/indirect costs	(785,645)	(739,627)	(614,627)	(125,000)
Total expenditures	146,746,023	155,799,297	152,970,164	2,829,133
Excess (deficiency) of revenues over (under) expenditures	2,111,908	(2,128,698)	2,102,692	4,231,390
Other financing sources (uses)				
Transfer in	869,000	1,386,769	1,386,769	-
Transfer out	(1,181,442)	(1,339,693)	(1,505,502)	165,809
Total other financing sources (uses)	(312,442)	47,076	(118,733)	(165,809)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	1,799,466	(2,081,622)	1,983,959	4,065,581
Fund balance - July 1	7,041,433	7,041,433	7,041,433	-
Fund balance - June 30	\$ 8,840,899	\$ 4,959,811	\$ 9,025,393	\$ 4,065,581

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, 2006**

	Workers Compensation	Governmental Activities Internal Service Fund Self-Insurance Fund Health & Welfare	Totals
Assets			
Cash in county treasury	\$ 4,358,268	\$ 1,017,235	\$ 5,375,503
Cash in revolving fund	85,000	375,546	460,546
Accounts receivable			
Interest	45,163		45,163
Other		570,190	570,190
Due from other funds	19,480	1,813	21,293
Total assets	\$ 4,507,911	\$ 1,964,784	\$ 6,472,695
Liabilities			
Accounts payable	\$ 65,036	\$ 313,317	\$ 378,353
Due to other funds	3,430	-	3,430
Other general long-term debt	7,863,086	2,182,634	10,045,720
Total liabilities	\$ 7,931,552	\$ 2,495,951	\$ 10,427,503
Net assets			
Reserved	\$ 85,000	\$ 375,546	\$ 460,546
Unreserved	(3,508,641)	(906,713)	(4,415,354)
Total net assets	\$ (3,423,641)	\$ (531,167)	\$ (3,954,808)

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, 2006**

	Governmental Activities		
	Internal Service Fund		
	Self-Insurance Fund		
	Workers	Health	
	Compensation	& Welfare	Total
Operating revenues			
Self-insurance premiums	\$ 3,115,367	\$ 17,393,301	\$ 20,508,668
Other local revenue	927	33,109	34,036
Total operating revenues	<u>3,116,294</u>	<u>17,426,410</u>	<u>20,542,704</u>
Operating expenses			
Classified salaries	43,588	106,514	150,102
Employee benefits	15,232	39,679	54,911
Books and supplies	3,264	17,604	20,868
Services and other expenditures	(191,599)	18,087,145	17,895,546
Total operating expenses	<u>(129,515)</u>	<u>18,250,942</u>	<u>18,121,427</u>
Operating profit/(loss)	<u>3,245,809</u>	<u>(824,532)</u>	<u>2,421,277</u>
Non-operating revenues			
Interest income	74,806	37,083	111,889
Total non-operating revenues	<u>74,806</u>	<u>37,083</u>	<u>111,889</u>
Change in net assets	3,320,615	(787,449)	2,533,166
Net assets (Deficit)- July 1	(6,804,256)	756,282	(6,047,974)
Residual Transfer In	60,000	-	60,000
Residual Transfer Out	-	(500,000)	(500,000)
Net assets (Deficit) - June 30	<u>\$ (3,423,641)</u>	<u>\$ (531,167)</u>	<u>\$ (3,954,808)</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, 2006**

	Governmental Activities
	Internal Service
	Fund
	Self-Insurance
	Fund
Cash flows from operating activities	
Cash received from premiums	\$ 21,688,260
Cash received for other local revenues	34,036
Cash paid for claims and administration	(20,017,052)
Cash paid to employees for services	(205,013)
Cash paid for goods and services	(20,868)
Net cash provided by operating activities	<u>1,479,363</u>
Cash flow from investing activities	
Interest and other income	111,889
Residual Equity Transfers	(440,000)
Net cash used in investing activities	<u>(328,111)</u>
Net increase in cash	1,151,252
Cash balance, July 1	<u>4,684,797</u>
Cash balance, June 30	<u>\$ 5,836,049</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating profit	\$ 2,421,277
Adjustments due to decrease/(increase) in:	
Accounts receivable	(580,268)
Due from other funds	1,759,860
Adjustment due to (decrease) in:	
Accounts payable	211,844
Due to other funds	(82,443)
Other general long-term debt	(2,250,907)
Net decrease	<u>(941,914)</u>
Net cash provided by operating activities	<u>\$ 1,479,363</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, 2006**

	Agency Funds
	Student Body Funds
Assets	
Cash and cash equivalents	\$ 1,501,845
Accounts receivable	4,511
Prepaid expenses	57,756
Loan Receivable	6,000
Store inventory	116,999
Total assets	<u>\$ 1,687,111</u>
Liabilities	
Accounts payable	\$ 384,763
Due to student groups	1,302,348
Total liabilities	<u>\$ 1,687,111</u>

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, 2006**

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

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2006**

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 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

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2006**

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.

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:

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2006**

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.

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).

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

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.

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.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2006**

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.

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

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2006**

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

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

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2006**

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.

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

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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.

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 \$26,163,611 as of June 30, 2006. The estimated fair market value of this pool as of June 30, 2006 was \$ 26,035,009. 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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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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, 2006 is as follows:

	<u>Estimated Fair Value</u>	<u>Reported Amount</u>
Deposits:		
Cash in County Treasurer	\$26,035,009	\$26,163,611
Cash on Hand and in Bank	<u>498,066</u>	<u>498,066</u>
	<u>26,533,075</u>	<u>26,661,677</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, 2006, the carrying amount of the District's account was \$498,066.

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,

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2006**

which includes the District, in the investment pool as of June 30, 2006 is \$1,538,111,332 with a market value of \$1,530,551,010. 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, 2006, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Classified salaries	\$ 1,424,549
Employee benefits	200,004
Services and other expenditures	1,073,914
Capital outlay	12,013
Direct support/indirect costs	125,000
Child Development Fund:	
Books and supplies	10,699
Services and other expenditures	9,897
Deferred Maintenance Fund:	
Books and supplies	863
Services and other expenditures	20,024
Cafeterial Fund:	
Employee benefits	3,440
Books and supplies	207,548
Services and other expenditures	12,099
Capital outlay	10,446
Adult Education Fund:	
Certificated salaries	60,206
Classified salaries	91,015
Special Reserve for Capital Outlay Fund:	
Certificated salaries	18
Employee benefits	50
Capital outlay	130,559

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 4 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2006 consist of the following:

	General Fund	Other Major Governmental Funds	All other Governmental Funds	Self- Insurance Fund	Total
Federal programs:					
Categorical aid	\$ 2,054,613	\$ -	\$ 342,170	\$ -	\$ 2,396,783
Total federal government	<u>2,054,613</u>	<u>-</u>	<u>342,170</u>	<u>-</u>	<u>2,396,783</u>
State government:					
Lottery	391,303	-	-	-	391,303
All other state funds	5,231,325	-	71,227	-	5,302,552
Total state government	<u>5,622,628</u>	<u>-</u>	<u>71,227</u>	<u>-</u>	<u>5,693,855</u>
Local revenues:					
Interest	312,816	63,918	80,150	45,163	502,047
Other local revenues	1,773,705	2,452,980	18,377	570,190	4,815,252
Total local sources	<u>2,086,521</u>	<u>2,516,898</u>	<u>98,527</u>	<u>615,353</u>	<u>5,317,299</u>
Total receivables	<u>\$ 9,763,762</u>	<u>\$ 2,516,898</u>	<u>\$ 511,924</u>	<u>\$ 615,353</u>	<u>\$ 13,407,937</u>

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

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

	<u>Balance</u> <u>July 1, 2005</u>	<u>Addition</u>	<u>Deductions</u>	<u>Reclassification</u>	<u>Balance</u> <u>June 30, 2006</u>
Governmental activities					
Capital assets not being depreciated					
Land	\$ 18,671,449	\$ -	\$ -	\$ -	\$ 18,671,449
Construction in progress	391,826	6,794,807	(391,826)	7,333,385	14,128,192
Total capital assets not being depreciated	<u>19,063,275</u>	<u>6,794,807</u>	<u>(391,826)</u>	<u>7,333,385</u>	<u>32,799,641</u>
Capital assets being depreciated					
Land improvements	18,464,490	2,569,190	-	(7,333,385)	13,700,295
Buildings and improvements	128,027,758	3,772,395	-	-	131,800,153
Furniture and equipment	2,663,028	456,657	-	-	3,119,685
Total capital assets being depreciated	<u>149,155,276</u>	<u>6,798,242</u>	<u>-</u>	<u>(7,333,385)</u>	<u>148,620,133</u>
Less accumulated depreciation					
Land Improvements	1,599,324	158,878	-	-	1,758,202
Buildings and improvements	54,401,180	3,850,003	-	-	58,251,183
Furniture and equipment	1,289,435	257,023	-	-	1,546,458
Total accumulated depreciation	<u>57,289,939</u>	<u>4,265,904</u>	<u>-</u>	<u>-</u>	<u>61,555,843</u>
Governmental activities capital assets, net	<u>\$110,928,612</u>	<u>\$9,327,145</u>	<u>\$(391,826)</u>	<u>\$ -</u>	<u>\$119,863,931</u>

Certain fixed assets items previously reported under the land improvements account have been reclassified to construction in progress account during the fiscal year ended June 30, 2006.

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
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Interfund Receivables/Payables (Due From/Due To)

As of June 30, 2006, interfund receivable and payable were as follows:

Funds	Interfund Receivables	Interfund Payables
General	\$ 1,932,722	\$ 450,690
Building fund	877,029	48,762
Capital facilities fund	2,900	1,981,015
Nonmajor Governmental	575,347	925,395
Self-insurance fund	21,294	3,430
Total	\$ 3,409,292	\$ 3,409,292

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 2005-06 were as follows:

Funds	Transfer In	Transfer Out
General fund	\$ 1,386,769	\$ 1,505,502
Building fund	9,773,783	875,189
All other funds:		
Adult education fund	-	7,580
Cafeteria special revenue fund	-	60,000
Deferred maintenance fund	875,189	-
Capital facilities fund	-	390,432
County school facilities fund	-	9,095,106
Self insurance fund	60,000	500,000
Special reserve for capital outlay fund	630,313	292,245
Total	\$ 12,726,054	\$ 12,726,054

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

Transfer of \$500,000 from the Self Insurance Fund to the General Fund for supporting Collective Bargaining Agreement for Medicare benefit.

Transfer of \$7,580 from the Adult Education Fund to General Fund for developmental kindergarten supplies.

Transfer of \$9,095,106 from the County School Facilities Fund to the Building Fund to reimburse project costs.

Transfer of \$875,189 from the Building Fund to the General Fund, then to the Deferred Maintenance Fund to support state match requirement.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Transfer of \$630,313 from the General Fund to the Special Reserve for Capital Outlay Fund for capital projects.

Transfer of \$288,245 from the Special Reserve Fund to the Building Fund to reimburse project costs.

Transfer of \$390,432 from the Capital Facilities Fund to the Building Fund to reimburse projects costs.

Transfer of \$60,000 from the Cafeteria Special Revenue Fund to the Self Insurance Fund to pay for prior year health and welfare expenses.

NOTE 7 – FUND BALANCES

The following is a summary of fund balances at June 30, 2006:

	General	Other Major Governmental Funds	All Other Governmental Funds	Self-insurance Fund	Totals
Reserved					
Revolving Cash	\$ 30,000	\$ -	\$ -	\$ 460,546	\$ 490,546
Stores Inventory	252,699	-	85,905	-	338,604
Others	3,000	-	-	-	3,000
Total Reserved	285,699	-	85,905	460,546	832,150
Unreserved:					
Designated					
Economic Uncertainties	4,634,270	-	-	-	4,634,270
Other Uses	3,208,846	-	-	-	3,208,846
Total Designated Funds	7,843,116	-	-	-	7,843,116
Undesignated	896,578	13,749,830	4,762,278	(4,415,354)	14,993,332
Total Unreserved	8,739,694	13,749,830	4,762,278	(4,415,354)	22,836,448
Total Fund Balances	\$9,025,393	\$ 13,749,830	\$ 4,848,183	\$ (3,954,808)	\$23,668,598

NOTE 8 – CHANGES TO LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2006 is shown below:

	Balance July 1, 2005	Additions	Deductions	Balance July 1, 2006	Due within One Year
General obligation bonds - current interest	\$ 46,130,000	\$ -	\$ 4,005,000	\$ 42,125,000	\$ 4,230,000
General obligation bonds - capital appreciation	35,408,107	1,956,044	-	37,364,151	2,064,679
Compensated absences	620,042	-	4,897	615,145	-
Capital leases payable	-	3,332,955	338,240	2,994,715	878,898
Energy loans	35,929	-	23,535	12,394	12,394
Total	\$ 82,194,078	\$ 5,288,999	\$ 4,371,672	\$ 83,111,405	\$ 7,185,971

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2006**

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, 2006 are as follow:

Bonded Debt - Current Interest:

Date of Issue	Intrest Rate	Maturity Date	Amount of		Issued Current Year	Redeemed Current Year	Outstanding June 30, 2006
			Original Issue	Outstanding July 1, 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	8,880,000	-	1,960,000	6,920,000
10/10/2000	4.125%-5.750%	2010	19,020,000	11,990,000	-	1,840,000	10,150,000
8/2004	2.500%-4.500%	2019	16,015,000	16,015,000	-	205,000	15,810,000
Total			<u>\$ 78,820,000</u>	<u>\$ 46,130,000</u>	<u>\$ -</u>	<u>\$ 4,005,000</u>	<u>\$ 42,125,000</u>

Bonded Debt - Capital Appreciation:

Date of Issue	Intrest Rate	Maturity Date	Amount of		Principal Acreed	Redeemed Current Year	Outstanding June 30, 2006
			Original Issue	Outstanding July 1, 2005			
10/10/2000	4.75%-5.40%	8/1/2015	\$ 19,990,115	\$ 25,566,914	\$ 1,383,363	\$ -	\$ 26,950,277
4/4/2002	5.55%-5.60%	8/1/2017	8,205,028	9,841,193	572,681	-	10,413,874
Total			<u>\$ 28,195,143</u>	<u>\$ 35,408,107</u>	<u>\$ 1,956,044</u>	<u>\$ -</u>	<u>\$ 37,364,151</u>

The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2006 are as follows:

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 2,536,440</u>	<u>\$ 11,781,440</u>

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Amortization of the Series B bond with an original issue amount of \$13,785,000 is:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 6,920,000</u>	<u>\$ 605,783</u>	<u>\$ 7,525,783</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,960,000	155,200	3,115,200
Total	<u>\$ 10,150,000</u>	<u>\$ 1,278,910</u>	<u>\$ 11,428,910</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 15,810,000</u>	<u>\$ 9,256,275</u>	<u>\$ 25,066,275</u>

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

<u>Year Ending 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	7,841,065	9,248,935	17,090,000
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
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Amortization of the Series C bond with an original issue amount of \$8,205,028 is:

<u>Year Ending 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 - LEASES

Capital Leases

The District has agreed to construct, acquire and install certain capital improvements (the "Project") and to finance the Project by leasing the Project to Public Property Financing Corporation of California (the "Corporation") pursuant to a Site Lease Agreement dated June 14, 2005, and leasing back from the Corporation the site pursuant to the terms of the Sublease/Option Agreement. The Corporation assigned the Site Lease Agreement and the Sublease/Option Agreement to Citimortgage, Inc. (the "Assignee"). The Corporation is required to either deposit or cause to be deposited with the escrow agent the amount to be used to pay the cost of the Project in accordance with the terms and provisions of the Sublease/Option Agreement and as provided in the Escrow Agreement..

As of June 30, 2006, total cost incurred for the Project was \$3,332,955 and the total principal lease payment made during the year was \$338,240. The remaining unpaid balance of \$2,994,715 was reported as capital lease payable in the General Long-Term Debt Account Group.

NOTE 11 - 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, 2006 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, 2005</u>	<u>Redeemed in Current Year</u>	<u>Outstanding June 30, 2006</u>
2/24/1998	5.90%	12/22/2006	164,200	35,929	23,535	12,394

The annual requirements to amortize all energy loans payable outstanding as of June 30, 2006 are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	12,394	364	12,758
Totals	<u>\$ 12,394</u>	<u>\$ 364</u>	<u>\$ 12,758</u>

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 12 – 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, 2006, the District has outstanding construction commitments of approximately \$7,075,405.

NOTE 13 – 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, 2006, liability for claims in the Internal Service Fund amounted to \$10,045,720. Changes in the funds' claims liability in the fiscal year 2005-2006 are as follows:

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2006**

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Ending Fiscal Year Liability
Workers' Compensation Fund	\$10,113,993	\$ (392,873)	\$ 1,858,034	\$ 7,863,086
Health and Welfare Fund	<u>2,182,634</u>	<u>17,717,482</u>	<u>17,717,482</u>	<u>2,182,634</u>
Total	<u>\$12,296,627</u>	<u>\$17,324,609</u>	<u>\$19,575,516</u>	<u>\$10,045,720</u>

The 2005-06 Ending Fiscal Year Liability in the Worker's Compensation Fund of \$7,863,086 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, 2006. The current year increase in this figure has created a negative fund balance of \$3,954,808 in the 2005-06 Internal Service Fund, as reported on page 21. 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 2005-06. 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 2006-07 contribution to the Workers Compensation Fund as recommended in the actuarial study.

NOTE 14 – 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, 2006**

Funding Policy

Active plan members are required to contribute 7.1% 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 2005-2006 was 9.12% 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, 2006, 2005 and 2004 were \$1,832,711, \$1,965,303, and \$2,027,015, 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 2005-2006. The District's contributions to the STRS for the fiscal years ended June 30, 2006, 2005 and 2004 were \$6,521,822, \$6,311,999, and \$6,214,842, 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 2005-06 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, 2006**

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, 2006.

NOTE 17 – TAX AND REVENUE ANTICIPATION NOTES

On July 1, 2005, the District had a Tax Revenue and Anticipation Note payable outstanding in the amount of \$15,215,000 plus accrued interest. The District had deposited all of the funds necessary to redeem the note in full as of June 30, 2006 with the Ventura County Treasurer's Office. The note matured and was redeemed during the fiscal year ended June 30, 2006.

NOTE 18 - SUBSEQUENT EVENT

Tax and Revenue Anticipation Notes

On July 5, 2006, the District issued \$14,455,000 of Tax and Revenue Anticipation Notes. The notes mature on June 30, 2007. 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, 2006, 50% of the aggregate principal amount of the notes and (ii) during the period ending May 31, 2007, 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, 2006**

	Child Development	Deferred Maintenance	Cafeteria	Adult Education	Totals
Assets					
Cash in county treasury	\$ 375,404	\$ 3,015,096	\$ 128,529	\$ 1,602	\$ 3,520,631
Cash on hand and in banks	3,000	-	220	1,300	\$ 4,520
Accounts receivable:					
Federal government		-	244,069	98,100	342,170
State government	3,828	-	-	67,399	71,227
Other sources:					
Interest	-	-	-	-	-
Other	11,391	31,685	2,080	-	45,157
Due from other funds	948	110,000	48	251,380	362,376
Stores inventory	-	-	85,905	-	85,905
Total assets	\$ 394,571	\$ 3,156,781	\$ 460,852	\$ 419,782	\$ 4,431,986
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 63,292	\$ 34,715	\$ 23,987	\$ 164,340	\$ 286,333
Deferred revenues	299,481	-	-	123,187	422,668
Due to other funds	20,711	1,901	255,659	111,060	389,331
Total liabilities	383,484	36,616	279,646	398,587	1,098,332
Fund balances:					
Reserved funds	-	-	85,905	-	85,905
Unreserved:					
Undesignated funds	11,087	3,120,165	95,301	21,195	3,247,748
Total fund balances	11,087	3,120,165	181,206	21,195	3,333,653
Total liabilities and fund balances	\$ 394,571	\$ 3,156,781	\$ 460,852	\$ 419,782	\$ 4,431,986

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, 2006**

	Child Development	Deferred Maintenance	Cafeteria	Adult Education	Totals
Revenues					
Revenue limit sources:					
State apportionment	\$ -	\$ -	\$ -	\$ 2,395,185	\$ 2,395,185
Total revenue limit	-	-	-	2,395,185	2,395,185
Federal revenues:					
Child nutrition	-	-	1,211,444	-	1,211,444
Other	6,447	-	-	196,201	202,648
State revenues:					
Child nutrition	-	-	75,740	-	75,740
Other	321,919	875,189	-	-	1,197,108
Local revenues:					
Interest	9,945	79,500	4,763	10,481	104,689
Other local revenues	3,978,930	-	3,616,752	1,455,630	9,051,312
Total revenues	4,317,241	954,689	4,908,699	4,057,497	14,238,126
Expenditures					
Certificated salaries	170,696	-	-	1,571,194	1,741,889
Classified salaries	2,278,708	-	1,791,357	934,202	5,004,267
Employee benefits	803,450	-	524,369	468,967	1,796,787
Books and supplies	331,340	970	2,247,548	448,743	3,028,602
Services and other expenditures	468,290	668,883	158,199	454,905	1,750,276
Capital outlay	357	-	45,446	4,000	49,803
Other outgo	-	-	-	-	-
Direct support/indirect costs	270,794	-	-	343,833	614,627
Total expenditures	4,323,635	669,852	4,766,919	4,225,844	13,986,250
Excess (deficiency) of revenues over (under) expenditures	(6,394)	284,836	141,780	(168,347)	251,875
Other financing sources					
Transfer in	-	875,189	-	-	875,189
Transfer out	-	-	(60,000)	(7,580)	(67,580)
Total other financing sources	-	875,189	\$ (60,000)	(7,580)	807,609
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(6,394)	1,160,025	81,780	(175,927)	1,059,484
Fund balances - July 1	17,481	1,960,140	99,426	197,122	2,274,169
Fund balances - June 30	\$ 11,087	\$ 3,120,165	\$ 181,206	\$ 21,195	\$ 3,333,653

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, 2006**

	Child Development			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual (Budgetary Basis)	
Revenues				
Revenue limit sources:				-
State apportionment	\$ -	\$ -	\$ -	-
Local Sources				-
Total revenue limit	-	-	-	-
Federal revenues:				
Child nutrition	-	-	-	-
Other	-	3,803	6,447	2,644
State revenues:				
Child nutrition				-
Other	268,346	315,896	321,919	6,023
Local revenues:				
Interest	7,000	7,000	9,945	2,945
Other	4,473,299	4,249,527	3,978,930	(270,597)
Total revenues	<u>4,748,645</u>	<u>4,576,226</u>	<u>4,317,241</u>	<u>(258,985)</u>
Expenditures				
Certificated salaries	170,248	170,919	170,696	223
Classified salaries	2,583,793	2,492,588	2,278,708	213,880
Employee benefits	909,708	817,049	803,450	13,599
Books and supplies	242,850	320,641	331,340	(10,699)
Services and other expenditures	378,943	458,393	468,290	(9,897)
Capital outlay	180,000	40,000	357	39,643
Direct support/indirect costs	258,394	270,794	270,794	-
Total expenditures	<u>4,723,936</u>	<u>4,570,384</u>	<u>4,323,635</u>	<u>246,749</u>
Excess (deficiency) of revenues over (under) expenditures	24,709	5,842	(6,394)	(12,236)
Other financing sources				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Other sources/(uses)	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	24,709	5,842	(6,394)	(12,236)
Fund balances - July 1	17,481	17,481	17,481	-
Fund balances - June 30	<u>\$ 42,190</u>	<u>\$ 23,323</u>	<u>\$ 11,087</u>	<u>\$ (12,236)</u>

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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	1,134,000	1,145,528	1,211,444	65,916
-	-	-	-	-	-	-	-
-	-	-	-	73,000	71,750	75,740	3,990
865,000	875,189	875,189	-	-	-	-	-
5,000	34,000	79,500	45,500	3,500	3,500	4,763	1,263
-	-	-	-	3,384,170	3,574,265	3,616,752	42,487
870,000	909,189	954,689	45,500	4,594,670	4,795,043	4,908,699	113,656
-	-	-	-	-	-	-	-
-	-	-	-	1,843,995	1,811,182	1,791,357	19,825
-	-	-	-	545,688	520,929	524,369	(3,440)
-	107	970	(863)	2,048,000	2,040,000	2,247,548	(207,548)
1,225,000	648,859	668,883	(20,024)	155,300	146,100	158,199	(12,099)
-	-	-	-	-	35,000	45,446	(10,446)
-	-	-	-	-	-	-	-
1,225,000	648,966	669,852	(20,886)	4,592,983	4,553,211	4,766,919	(213,708)
(355,000)	260,223	284,836	24,613	1,687	241,832	141,780	(100,052)
865,000	875,189	875,189	-	-	-	-	-
-	-	-	-	-	(60,000)	(60,000)	-
-	-	-	-	-	-	-	-
865,000	875,189	875,189	-	-	(60,000)	(60,000)	-
510,000	1,135,412	1,160,025	24,613	1,687	181,832	81,780	(100,052)
1,960,140	1,960,140	1,960,140	-	99,426	99,426	99,426	-
\$ 2,470,140	\$ 3,095,552	\$ 3,120,165	\$ 24,613	\$ 101,113	\$ 281,258	\$ 181,206	\$ (100,052)

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, 2006**

	Adult Education			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual (Budgetary Basis)	
Revenues				
Revenue limit sources:				
State apportionment	\$ 2,472,786	\$ 2,472,786	\$ 2,395,185	\$ (77,601)
Local Sources				
Total revenue limit	2,472,786	2,472,786	2,395,185	(77,601)
Federal revenues:				
Child nutrition	-	-	-	-
Other	276,389	200,349	196,201	(4,148)
State revenues:				
Child nutrition	-	-	-	-
Other	-	-	-	-
Local revenues:				
Interest	10,000	10,000	10,481	481
Other	1,599,910	1,508,910	1,455,630	(53,280)
Total revenues	4,359,085	4,192,045	4,057,497	(134,548)
Expenditures				
Certificated salaries	1,507,248	1,510,988	1,571,194	(60,206)
Classified salaries	987,306	843,187	934,202	(91,015)
Employee benefits	569,359	513,092	468,967	44,125
Books and supplies	522,717	503,599	448,743	54,856
Services and other expenditures	512,401	516,099	454,905	61,194
Capital outlay	2,805	22,805	4,000	18,805
Direct support/indirect costs	527,251	468,833	343,833	125,000
Total expenditures	4,629,087	4,378,603	4,225,844	152,759
Excess (deficiency) of revenues over (under) expenditures	(270,002)	(186,558)	(168,347)	18,211
Other financing sources				
Transfer in	146,039			-
Transfer out	-	(7,580)	(7,580)	-
Other sources/(uses)	-	-	-	-
Contributions				
Total other financing sources	146,039	(7,580)	(7,580)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(123,963)	(194,138)	(175,927)	18,211
Fund balances - July 1	197,122	197,122	197,122	-
Fund balances - June 30	\$ 73,159	\$ 2,984	\$ 21,195	\$ 18,211

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)
\$ 2,472,786	\$ 2,472,786	\$ 2,395,185	\$ (77,601)
2,472,786	2,472,786	\$2,395,185	(77,601)
1,134,000	1,145,528	1,211,444	65,916
276,389	204,152	202,648	(1,504)
73,000	71,750	75,740	3,990
1,133,346	1,191,085	1,197,108	6,023
25,500	54,500	104,689	50,189
9,457,379	9,332,702	9,051,312	(281,390)
14,572,400	14,472,503	14,238,126	(234,377)
1,677,496	1,681,907	1,741,889	(59,982)
5,415,094	5,146,957	5,004,267	142,690
2,024,755	1,851,070	1,796,787	54,283
2,813,567	2,864,347	3,028,602	(164,255)
2,271,644	1,769,451	1,750,276	19,175
182,805	97,805	49,803	48,002
785,645	739,627	614,627	125,000
15,171,006	14,151,164	13,986,250	164,914
(598,606)	321,339	251,875	(69,464)
1,011,039	875,189	875,189	-
-	(67,580)	(67,580)	-
-	-	-	-
1,011,039	807,609	807,609	-
412,433	1,128,948	1,059,484	(69,464)
2,274,169	2,274,169	2,274,169	-
\$ 2,686,602	\$ 3,403,117	\$ 3,333,653	\$ (69,464)

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, 2006**

	County School Facilities	Special Reserve for Capital Outlay	Totals
Assets			
Cash in county treasury	\$ 1,612,980	\$ 219,167	\$ 1,832,147
Accounts receivable:			
Other sources:			
Interest	48,464	-	48,464
Other		4,906	4,906
Due from other funds	-	212,971	212,971
Total assets	\$ 1,661,444	\$ 437,043	\$ 2,098,488
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ -	\$ 47,893	\$ 47,893
Due to other funds	302,089	233,976	536,064
Total liabilities	302,089	281,869	583,957
Fund balances:			
Unreserved:			
Undesignated funds	1,359,356	155,174	1,514,530
Total fund balances	1,359,356	155,174	1,514,530
Total liabilities and fund balances	\$ 1,661,444	\$ 437,043	\$ 2,098,488

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, 2006**

	County School Facilities	Special Reserve for Capital Outlay	Totals
Revenues			
State revenues:			
Other	\$ 9,547,565		\$ 9,547,565
Local revenues:			
Interest	86,466	18,463	104,929
Other	-		-
Total revenues	<u>9,634,031</u>	<u>18,463</u>	<u>9,652,494</u>
Expenditures			
Certificated salaries			-
Classified salaries	-	37,336	37,336
Employee benefits	-	13,766	13,766
Books and supplies	-	475	475
Services and other expenditures	-	170,455	170,455
Capital outlay		203,909	203,909
Total expenditures	<u>-</u>	<u>425,940</u>	<u>425,940</u>
Excess (deficiency) of revenues over (under) expenditures	9,634,031	(407,477)	9,226,554
Other financing sources (uses)			
Transfer in	-	630,313	630,313
Transfer out	(9,095,106)	(292,245)	(9,387,351)
Total other financing sources (uses)	<u>(9,095,106)</u>	<u>338,067</u>	<u>(8,757,038)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	538,925	(69,410)	469,516
Fund balances - July 1	820,430	224,584	1,045,015
Fund balances - June 30	<u>\$ 1,359,356</u>	<u>\$ 155,174</u>	<u>\$ 1,514,530</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, 2006**

County School Facilities

	Original	Final	Actual (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
Revenues				
State Revenue	\$ 3,000,000	\$ 9,547,565	\$ 9,547,565	\$ -
Local revenues:				
Interest	35,000	35,000	86,466	51,466
Other	-	-	-	-
Total revenues	<u>3,035,000</u>	<u>9,582,565</u>	<u>9,634,031</u>	<u>51,466</u>
Expenditures				
Classified salaries	-	-	-	-
Employee benefits	-	-	-	-
Books and supplies	-	-	-	-
Services and other expenditures	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	3,035,000	9,582,565	9,634,031	51,466
Other financing sources (uses)				
Transfer in	-	-	-	-
Transfer out	(4,023,873)	(9,066,988)	(9,095,106)	(28,118)
Total other financing sources (uses)	<u>(4,023,873)</u>	<u>(9,066,988)</u>	<u>(9,095,106)</u>	<u>(28,118)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(988,873)	515,577	538,925	23,348
Fund balances - July 1	820,430	820,430	820,430	-
Fund balances - June 30	<u>\$ (168,443)</u>	<u>\$ 1,336,007</u>	<u>\$ 1,359,356</u>	<u>\$ 23,348</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)
\$ -	\$ -	\$ -	\$ -	\$ 3,000,000	\$ 9,547,565	\$ 9,547,565	\$ -
5,700	11,300	18,463	7,163	40,700	46,300	104,929	58,629
5,700	11,300	18,463	7,163	3,040,700	9,593,865	9,652,494	58,629
36,604	37,318	37,336	(18)	36,604	37,318	37,336	(18)
13,799	13,716	13,766	(50)	13,799	13,716	13,766	(50)
-	1,000	475	525	-	1,000	475	525
120,600	416,393	170,455	245,938	120,600	416,393	170,455	245,938
-	73,350	203,909	(130,559)	-	73,350	203,909	(130,559)
171,003	541,777	425,940	115,837	171,003	541,777	425,940	115,837
(165,303)	(530,477)	(407,477)	123,000	2,869,697	9,052,088	9,226,554	174,466
170,403	464,504	630,313	165,809	170,403	464,504	630,313	165,809
(4,000)	(4,000)	(292,245)	(288,245)	(4,027,873)	(9,070,988)	(9,387,351)	(316,363)
166,403	460,504	338,067	(122,437)	(3,857,470)	(8,606,484)	(8,757,038)	(150,554)
1,100	(69,973)	(69,410)	563	(987,773)	445,604	469,516	23,912
224,584	224,584	224,584	-	1,045,015	1,045,015	1,045,015	-
\$ 225,684	\$ 154,611	\$ 155,174	\$ 563	\$ 57,242	\$ 1,490,619	\$ 1,514,530	\$ 23,912

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, 2006**

	<u>High School</u>	<u>Middle School</u>	<u>Totals 2006</u>
Assets			
Cash on Hand and in Banks	\$ 1,230,160	\$ 271,685	\$ 1,501,845
Accounts Receivable - Miscellaneous	4,338	173	4,511
Loans Receivable	6,000	-	6,000
Stores Inventory	78,311	38,688	116,999
Prepaid Expenditures	24,890	32,866	57,756
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,343,699</u>	<u>\$ 343,412</u>	<u>\$ 1,687,111</u>
Liabilities			
Accounts Payable	\$ 330,277	\$ 54,486	\$ 384,763
Due to Student Groups	1,013,422	288,926	1,302,348
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 1,343,699</u>	<u>\$ 343,412</u>	<u>\$ 1,687,111</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, 2006**

	Balance June 30 2005	Additions	Deletions	Balance June 30 2006
<i>HIGH SCHOOLS</i>				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 987,701	\$ 5,163,245	\$ 4,920,786	\$ 1,230,160
Accounts Receivable	11,076	28,014	34,752	4,338
Prepaid Expenses	19,159	25,303	19,572	24,890
Loans Receivable	10,000	20,000	24,000	6,000
Stores Inventory	79,134	3,980	4,803	78,311
TOTAL ASSETS	\$ 1,107,070	\$ 5,240,542	\$ 5,003,913	\$ 1,343,699
<u>LIABILITIES</u>				
Accounts Payable	\$ 137,045	\$ 582,977	\$ 389,745	\$ 330,277
Due to Student Groups	970,025	3,962,465	3,919,068	1,013,422
TOTAL LIABILITIES	\$ 1,107,070	\$ 4,545,442	\$ 4,308,813	\$ 1,343,699
<i>INTERMEDIATE SCHOOLS</i>				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 295,606	\$ 1,778,571	\$ 1,802,492	\$ 271,685
Accounts Receivable	4,956	13,381	18,164	173
Prepaid Expenses	24,437	44,718	36,289	32,866
Stores Inventory	29,814	13,676	4,802	38,688
TOTAL ASSETS	\$ 354,813	\$ 1,850,346	\$ 1,861,747	\$ 343,412
<u>LIABILITIES</u>				
Accounts Payable	\$ 67,269	\$ 54,714	\$ 67,497	\$ 54,486
Due to Student Groups	287,544	1,436,364	1,434,982	288,926
TOTAL LIABILITIES	\$ 354,813	\$ 1,491,078	\$ 1,502,479	\$ 343,412
<i>TOTALS - ALL STUDENT BODY FUNDS</i>				
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 1,283,307	\$ 6,941,816	\$ 6,723,278	\$ 1,501,845
Accounts Receivable	16,032	41,395	52,916	4,511
Prepaid Expenses	43,596	70,021	55,861	57,756
Loans Receivable	10,000	20,000	24,000	6,000
Stores Inventory	108,948	17,656	9,605	116,999
TOTAL ASSETS	\$ 1,461,883	\$ 7,090,888	\$ 6,865,660	\$ 1,687,111
<u>LIABILITIES</u>				
Accounts Payable	\$ 204,314	\$ 637,691	\$ 457,242	\$ 384,763
Due to Student Groups	1,257,569	5,398,829	5,354,050	1,302,348
TOTAL LIABILITIES	\$ 1,461,883	\$ 6,036,520	\$ 5,811,292	\$ 1,687,111

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

SUPPLEMENTARY INFORMATION SECTION

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
ORGANIZATION
JUNE 30, 2006**

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, 2010
Mrs. Dolores Didio	Vice President	December, 2008
Mrs. Dorothy Beaubien	Clerk	December, 2008
Dr. Timothy Stephens	Member	December, 2010
Mr. Mike Dunn	Member	December, 2010

ADMINISTRATION

Mr. Mario Contini - Superintendent of Schools

Dr. Jeffrey Baarstad - Assistant Superintendent, Business Services

Dr. Richard Simpson - Deputy Superintendent

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

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Second Period Report</u>	<u>Annual Report</u>
ELEMENTARY:		
Kindergarten	1,461	1,462
Grades 1 - 3	4,553	4,550
Grades 4 - 6	4,882	4,875
Grades 7 - 8	3,335	3,336
Home and Hospital	2	2
Special Education	331	333
ELEMENTARY TOTALS	<u>14,564</u>	<u>14,558</u>
HIGH SCHOOL:		
Grades 9 - 12	6,696	6,659
Continuation Education	210	208
Home and Hospital	1	1
Special Education	192	189
HIGH SCHOOL TOTALS	<u>7,099</u>	<u>7,057</u>
COUNTY SUPPLEMENT:		
Special Education	42	43
COUNTY SUPPLEMENT TOTALS	<u>42</u>	<u>43</u>
District K-12 ADA	<u>21,705</u>	<u>21,658</u>
Classes for Adults:		
Concurrently Enrolled	720	990
ADULT TOTALS	<u>720</u>	<u>990</u>
TOTALS	<u>22,425</u>	<u>22,648</u>
<u>Hours of Attendance</u>		
SUMMER SCHOOL HOURS OF ATTENDANCE		
Elementary	76,117	88,635
Secondary	118,631	119,094
TOTALS	<u>194,748</u>	<u>207,729</u>

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

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 FISCAL YEAR ENDED JUNE 30, 2006**

<u>Grade Level</u>	<u>1982-83 Minutes Requirement</u>	<u>1986-87 Actual Minutes</u>	<u>2005-06 Actual Minutes</u>	<u>Annual Instructional Days</u>	<u>Status</u>
Kindergarten	31,500	36,000	36,000	180	Complied
Grades 1 through 3	44,380	50,400	50,670	180	Complied
Grade 4 through 6	53,375	54,000	54,000	180	Complied
Grade 7 through 8	53,375	54,000	55,322	180	Complied
Grade 9 through 12	53,375	64,800	65,460	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.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS - GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2006**

	(Budget)* 2007	2006	2005
Revenues and other financial sources	\$ 165,552,891	\$ 156,459,625	\$ 151,193,618
Expenditures	160,356,557	152,970,164	148,125,220
Other uses and transfers out	2,876,314	1,505,502	4,431,468
Total outgo	163,232,871	154,475,666	152,556,688
Change in fund balance	2,320,020	1,983,959	(1,363,070)
Ending balance	11,345,412	9,025,392	7,041,433
Available reserves	\$ 4,896,991	\$ 4,634,270	\$ 6,809,605
Available reserves as a percentage of total outgo	3.00%	3.00%	4.46%
Total long-term debt	75,925,434	83,111,405	82,194,078
Average daily attendance at P-2**	21,702	21,706	21,681

* Budget 2007 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.

<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 141,308,023	\$ 141,052,735	\$ 138,968,398
142,354,279	142,189,423	140,556,311
1,732,034	515,064	1,081,910
<u>144,086,313</u>	<u>142,704,487</u>	<u>141,638,221</u>
(2,778,290)	(1,651,752)	(2,669,823)
<u>8,404,503</u>	<u>\$ 11,182,793</u>	<u>\$ 12,834,545</u>
<u>\$ 7,124,197</u>	<u>\$ 9,802,589</u>	<u>\$ 4,471,865</u>

4.94%	6.87%	3.16%
66,987,494	68,825,674	70,236,729
21,476	21,129	20,542

See accompanying note to supplementary information.

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

<u>Program Name</u>	<u>Federal CFDA No.</u>	<u>Pass-through Entity Identifying No.</u>	<u>Federal Expenditures</u>
U.S. Department of Education:			
<u>Passed through California Department of Education (CDE):</u>			
NCLB Title I, Part A - AFDC and Neglected	84.010	14329	943,843
NCLB Title II, Part A - Teacher and Principal Training and Recruiting Fund	84.367	14341	629,510
NCLB Title III, Part A - Limited English Proficient Student Program	84.365	10084	178,949
NCLB Title IV - Safe and Drug-free Schools	84.186	14347	64,955
NCLB Title V - Innovative Education Strategies	84.298A	14354	35,915
Carl D. Perkins Vocational and Applied Technology Secondary Grants	84.048	13924	83,630
Transition Partnership Program	84.158	10006	224,155
<u>Passed through Ventura County Office of Education SELPA:</u>			
IDEA - Local Assistance	84.027	13379	3,379,465
IDEA - Federal Preschool	84.173	13430	279,655
IDEA - Infant Discretionary	84.027A	13612	2,072
IDEA - Low Incidence Entitlement	84.027A	13459	2,575
IDEA - Workability I Program	84.027	13705	100,271
Total U.S. Department of Education			<u>5,924,995</u>
U.S. Department of Agriculture:			
<u>Passed through California Department of Education (CDE):</u>			
Basic Breakfast	10.553	13525	30,534
Especially Needy Breakfast	10.553	13526	199,439
National School Lunch Program	10.555	13396	981,493
Total U.S. Department of Agriculture			<u>1,211,466</u>
Total Expenditures of Federal Awards			<u>\$ 7,136,461</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, 2006**

	<u>Capital Facilities Fund</u>	<u>Internal Service Fund</u>
June 30, 2006, Annual Financial and Budget Report Fund Balance Unaudited Actuals	\$ 46,000	\$ 2,364,408
Adjustment:		
(Decrease) in the Fund Balance:		
Increase in accounts payable	(170,050)	
Increase in claims liability		(6,319,216)
June 30, 2006, Audited Financial Statement Fund Balance	<u>\$ (124,050)</u>	<u>\$ (3,954,808)</u>
		<u>General Long- Term Debt Account Group</u>
June 30, 2006, Annual Financial and Budget Report Total Liabilities Unaudited Actuals		\$ 75,982,048
Adjustment:		
Increase in:		
General obligation bond accreted principal		9,169,008
Energy conservation loans		12,394
Decrease in:		
Capital leases payable		(2,052,045)
June 30, 2006, Audited Financial and Budget Report Total Liabilities		<u>\$ 83,111,405</u>

See accompanying note to supplementary information.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2006**

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, 2006, and have issued our report thereon dated November 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 06-1 through 06-2.

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.

Quezada & Company

Pasadena, California
November 22, 2006

**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, 2006. 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, 2006.

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.

Quezada & Company

Pasadena, California
November 22, 2006

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, 2006, and have issued our report thereon dated November 22, 2006. 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 and programs	6	Not applicable*
Incentive for longer instructional day:		
School districts	4	Yes
County Offices of Education	3	Not applicable*
Community day schools	9	Not applicable*
Morgan-Hart class size reduction program	7	Yes

<u>Description</u>	<u>Procedures in Controller's Audit Guide</u>	<u>Procedures Performed</u>
Instructional materials:		
General Requirements	12	Yes
K-8 only	1	Yes
Grades 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 funds	1	Yes
Alternative pension plans	2	Not applicable*
Proposition 20 Lottery Funds (Cardenas Textbooks Act of 2000)		
Textbooks Act of 2000)	2	Yes
State lottery funds (California State Lottery Act of 1984)		
Act of 1984)	2	Yes
California School Age Families Education (CAL-SAFE) Program		
Education (CAL-SAFE) Program	3	Not applicable*
School accountability report card	3	Yes
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*
Charter Schools:		
Contemporaneous records of attendance	1	Not applicable**
Nonclassroom-based instruction/independent study	15	Not applicable**
Additional nonclassroom-based instruction	1	Not applicable**
Determination of funding for Nonclassroom-based Instruction		
Instruction	3	Not applicable**
Annual instructional minutes- classroom based	3	Not applicable**

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

** The District does not have charter school, 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 06-3 to 06-6 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.

Quezada & Company

Pasadena, California
November 22, 2006

FINDINGS AND RECOMMENDATIONS SECTION

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COST
 FISCAL YEAR ENDED JUNE 30, 2006**

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

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.027	IDEA –Local Assistance

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, 2006**

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

06-1 Capital Asset – Internal Control – Periodic review of capital asset transaction and balances. (2000)

Condition

During our audit of capital asset addition during the year, we noted an addition to construction in progress account that was recorded at \$121,577.98 while the supporting document showed that the actual payment was \$1,215,777.78. This was due to posting error in the fixed asset system and was subsequently corrected.

We also noted that certain capital assets whereby the related depreciation expenses were not calculated.

Criteria

Good internal control requires periodic review of capital assets transactions and balances. A staff, other than those assigned on recording capital asset transactions, should review capital asset transaction to ensure that asset purchases are appropriately recorded and the related depreciation expenses are properly calculated.

Effect

No effect in the capital asset balance as of June 30, 2006, since adjustments were made on the asset purchase and depreciation expense.

Recommendation

Implement internal control over recording of capital asset purchases and depreciation expense.

District response

The district has implemented a periodic review process of capital assets transactions and balances.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COST
 FISCAL YEAR ENDED JUNE 30, 2006**

06-2 Ensure propriety of capital asset's depreciation expense calculation (20000)

Condition

Test on depreciation expense disclosed that the district calculates its capital asset as follows:

$$\text{Depreciation Expense: } \frac{\text{Net book value of capital asset}}{\text{Remaining useful life}} \times \text{Number of months used during the year}$$

Criteria

The District's accounting policy on depreciating capital assets as disclosed in notes to the financial statements states that capital assets are recorded on a straight line basis over its useful lives.

Effect

Depreciation expense is not calculated based on straight line basis as disclosed in the notes to the district's financial statements.

Recommendation

Review the fixed asset system depreciation program formula/calculation by the general ledger accountants, ensure that this is in accordance with generally accepted accounting principles and in compliance with the district's policy on calculating depreciation expense on capital assets.

District response

The district must continue to use the county-wide "ESCAPE" software system but will investigate whether the "ESCAPE" system is being utilized correctly.

Part III – Federal Award Findings Section

No matters were reported.

Part IV – State Findings Section

06-3 Ensure accuracy of Annual Attendance Report (10000)

Condition

During our review of the District's Annual Attendance Report, we noted that the reported Average Daily Attendance for Continuation Education does not agree with the supporting document, as follows:

Average Daily Attendance (ADA)	
Per Annual Attendance Report	237.63
Per supporting document	207.63
Difference	30.00

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COST
FISCAL YEAR ENDED JUNE 30, 2006**

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

No effect on the on the State apportionment.

Recommendation

The district should comply with the education code requiring school to develop and maintain accurate and adequate attendance records to support the attendance reported to the State. In addition, we recommend the revision of the Annual Attendance Report for the fiscal year ended June 30, 2006 to show the actual Continuation Education ADA of 207.63.

District response

The district has emphasized that the guidelines and policies regarding correct attendance accounting be followed. This is a one time clerical error on the Annual Attendance Report that does not impact State appropriations.

06-4 Inaccurate Attendance Accounting – Meadows Elementary School, Sycamore Canyon Elementary School, Colima Middle School, and Redwood Middle School (10000)

Condition

During our test of attendance procedures at Meadows Elementary School, Sycamore Canyon Elementary School, and Redwood Middle School, we noted that 6 out of 192 attendance days tested, the reported attendance in the school attendance register does not agree with the Teacher's Attendance Roster.

We also noted that 7 out of 41 absences tested at Sycamore Canyon Elementary School were not supported with adequate documentation of student absences, such as excuse note or phone logs.

At Colima Elementary School, we noted a student who was enrolled and marked present in class starting February 9, 2006, although this student did not attend school until February 21, 2005.

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.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COST
FISCAL YEAR ENDED JUNE 30, 2006**

District response

The District believes that many students from the three comprehensive high schools enrolled in independent study programs in 2005-06 were incorrectly reported as continuation high school students. The District is researching 2005-06 independent study attendance reports and will identify comprehensive high school students who were incorrectly reported as continuation high school students, correct the attendance data, and resubmit the data to the auditors for subsequent review. The District believes the corrected data will indicate independent study students from continuation high school programs were below the 10% cap. The District will ensure that current and future year attendance records correctly separate and accurately report comprehensive and continuation high school independent study students.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2006**

Finding	Recommendation	Status
<p>05-1 ASB Internal Control – No Revenue Potential used - Westlake High School, Sycamore Canyon Middle School and Sequoia Middle School Condition (30000)</p> <p>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.</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 a memorandum to the ASB's restating the District's policy on the use of revenue potential forms in advance of all major fundraiser's activities.</p>
<p>05-2 ASB Internal Control – Minutes of meeting – Westlake High School, Sycamore Canyon Middle School and Sequoia Middle School Condition (30000)</p> <p>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.</p>	<p>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.</p>	<p>The District has issued a memorandum to the ASB's restating the District's policy to include all expenditure of student fund matters in the minutes of the ASB meetings.</p>
<p>05-3 ASB Internal Control – Principal fund– Westlake High School (30000)</p> <p>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.</p>	<p>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.</p>	<p>The District has issued a memorandum to the ASB's restating the District's policy to ensure that all ASB funds are for the use of the general student body.</p>

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2006**

Finding	Recommendation	Status
<p>05-4 ASB Internal Control – Food sales conducted during the school year – Westlake High School (30000)</p>	<p>The district should develop and implement policies concerning the sale of foods by the student organization to ensure compliance with the ASB requirements.</p>	<p>The District has issued a memorandum to the ASB’s restating the District’s policy to ensure that all student organizations conduct no more than four (4) food sales during the school year and that all food sales shall be held on the same four days for any or all organizations.</p>
<p>05-5 Recording of Capital Assets – Construction in Progress</p>	<p>The district should establish procedures that ensure adherence to accounting policies with regards to the correctness/propriety of recording and monitoring of capital assets.</p>	<p>The District has implemented a new procedures 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.</p>
<p>05-6 Inaccurate Attendance Accounting - Adult School (10000)</p>	<p>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.</p>	<p>The District has bought the approved software modular that calculates lab attendance to the minute. It is currently being utilized by the attendance staff at the adult school.</p>

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COST
 FISCAL YEAR ENDED JUNE 30, 2006**

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.

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.

District response

The district has emphasized that the guidelines and policies regarding correct attendance accounting be followed. The district requires, as per state regulations that every teacher is to sign and date all the attendance documentation.

06-6 Continuation School Students on Independent Study exceed 10%

Condition

During our test of Continuation Education, we noted that more than 10% of the Continuation Education ADA was credited from Independent Study.

Continuation Education ADA	
P2 Attendance Report	
Total Continuation Education ADA	207.63
Continuation Education ADA from Independent Study	58.95
Percentage of ADA from Independent Study	28.06%

Criteria

Education code Section 51745 (b) states: "Not more than 10 percent of the pupils participating in an opportunity school or program, or a continuation high school, calculated as specified by the State Department of Education, shall be eligible for apportionment credit for independent study pursuant to this article. A pupil who is pregnant or is a parent who is the primary caregiver for one or more of his or her children shall not be counted within the 10 percent cap."

Effect

The 41 ADA difference between the reported and actual eligible ADA for the Continuation Education Program resulted to an overstatement in the program's total apportionment of \$196,137.

Recommendation

Ensure compliance with Education Code 51745 (b) that not more than 10 percent of the pupils participating in the continuation school shall be eligible for apportionment credit for independent study.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COST
FISCAL YEAR ENDED JUNE 30, 2006**

District response

The District believes that many students from the three comprehensive high schools enrolled in independent study programs in 2005-06 were incorrectly reported as continuation high school students. The District is researching 2005-06 independent study attendance reports and will identify comprehensive high school students who were incorrectly reported as continuation high school students, correct the attendance data, and resubmit the data to the auditors for subsequent review. The District believes the corrected data will indicate independent study students from continuation high school programs were below the 10% cap. The District will ensure that current and future year attendance records correctly separate and accurately report comprehensive and continuation high school independent study students.

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2006**

<u>Finding</u>	<u>Recommendation</u>	<u>Status</u>
<p>05-1 ASB Internal Control – No Revenue Potential used - Westlake High School, Sycamore Canyon Middle School and Sequoia Middle School Condition (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 a memorandum to the ASB’s restating the District’s policy on the use of revenue potential forms in advance of all major fundraiser’s activities.</p>
<p>05-2 ASB Internal Control – Minutes of meeting – Westlake High School, Sycamore Canyon Middle School and Sequoia Middle School Condition (30000)</p>	<p>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.</p>	<p>The District has issued a memorandum to the ASB’s restating the District’s policy to include all expenditure of student fund matters in the minutes of the ASB meetings.</p>
<p>05-3 ASB Internal Control – Principal fund– Westlake High School (30000)</p>	<p>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.</p>	<p>The District has issued a memorandum to the ASB’s restating the District’s policy to ensure that all ASB funds are for the use of the general student body.</p>

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2006**

Finding	Recommendation	Status
<p>05-4 ASB Internal Control – Food sales conducted during the school year – Westlake High School (30000)</p>	<p>The district should develop and implement policies concerning the sale of foods by the student organization to ensure compliance with the ASB requirements.</p>	<p>The District has issued a memorandum to the ASB’s restating the District’s policy to ensure that all student organizations conduct no more than four (4) food sales during the school year and that all food sales shall be held on the same four days for any or all organizations.</p>
<p>05-5 Recording of Capital Assets – Construction in Progress</p>	<p>The district should establish procedures that ensure adherence to accounting policies with regards to the correctness/propriety of recording and monitoring of capital assets.</p>	<p>The District has implemented a new procedures 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.</p>
<p>05-6 Inaccurate Attendance Accounting - Adult School (10000)</p>	<p>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.</p>	<p>The District has bought the approved software modular that calculates lab attendance to the minute. It is currently being utilized by the attendance staff at the adult school.</p>

**CONEJO VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2006**

Finding	Recommendation	Status
<p>05-7 Inaccurate recording of attendance for daily attendance records – Ladera Elementary School and Westlake High School (10000)</p>	<p>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.</p>	<p>The District has emphasized that the guidelines and policies regarding correct attendance accounting be followed.</p>
<p>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.</p>		
<p>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.</p>		

