



**SIMI VALLEY UNIFIED
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

SIMI VALLEY UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Governing Board
Simi Valley Unified School District
Simi Valley, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Simi Valley Unified School District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-2012*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Simi Valley Unified School District, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding requirements of the State of California to the K-12 educational community.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 18, and the budgetary comparison information and schedule of other post employment benefits on pages 64 and 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The Schedule of Expenditures of Federal Awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133)* and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 3, 2012

SIMI VALLEY UNIFIED SCHOOL DISTRICT



BUSINESS & FACILITIES
Michael Clear
Assistant Superintendent

Board of Education

Rob Collins
Jeanne Davis
Janice DiFatta
Arleigh Kidd
Debbie Sandland

This section of Simi Valley Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2012, with comparative information from 2011. 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 Simi Valley Unified School District.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resource measurement focus using the accrual basis of accounting. These statements include all assets of the District (including land and buildings) as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, proprietary, and fiduciary.

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

The *Proprietary Funds* are prepared using the economic resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Funds* only report a balance sheet and do not have 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 Simi Valley Unified School District.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The *Statement of Net Assets* and the *Statement of Activities* 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.

The relationship between revenues and expenses is the District's operating results. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Assets* and the *Statement of Activities* we present the District activities as follows:

Governmental Activities

The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Assets* and the *Statement of Revenues, Expenses, and Changes in Fund Net Assets*. 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. The District's fiduciary activities are reported in a separate *Statement of 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.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$160.3 million for the fiscal year ended June 30, 2012. Of this amount, \$11.8 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing 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.

Table 1

(Amounts in millions)

	Governmental Activities	
	2012	2011
Assets		
Current and other assets	\$ 159.1	\$ 157.8
Capital assets, net	205.4	201.6
Total Assets	<u>364.5</u>	<u>359.4</u>
Liabilities		
Current liabilities	23.6	22.4
Long-term obligations	180.6	182.2
Total Liabilities	<u>204.2</u>	<u>204.6</u>
Net Assets		
Invested in capital assets, net of related debt	125.0	32.4
Restricted	23.5	100.8
Unrestricted	11.8	21.6
Total Net Assets	<u>\$ 160.3</u>	<u>\$ 154.8</u>

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 20. Table 2 takes the information from the statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

(Amounts in millions)	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Revenues		
Program revenues:		
Charges for services	\$ 3.5	\$ 2.9
Operating grants and contributions	31.2	29.4
Capital grants and contributions	16.0	3.8
General revenues:		
State and Federal revenue limit sources - unrestricted	82.7	86.5
Property taxes	49.2	47.1
Other general revenues	5.2	12.5
Total Revenues	<u>187.8</u>	<u>182.2</u>
Expenses		
Instruction related	130.8	127.8
Student support services	15.5	14.5
Administration	7.6	9.2
Plant services	17.8	16.4
Other	10.6	20.8
Total Expenses	<u>182.3</u>	<u>188.7</u>
Change in Net Assets	<u>\$ 5.5</u>	<u>\$ (6.5)</u>

Governmental Activities

As reported in the *Statement of Activities* on page 20, the cost of all of our governmental activities this year was \$182.3 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$49.2 million because the cost was paid by those who benefited from the programs or by other governments and organizations who subsidized certain programs with grants and contributions \$47.2 million. We paid for the remaining "public benefit" portion of our governmental activities with \$87.9 million in, State funds and with other revenues, like interest and general entitlements.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

In Table 3, we have presented the cost of each of the District's eight largest functions: instruction, school administration, pupil transportation, food services, other student support services, administration, plant services, and other, as well as each program's *net* cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

(Amounts in millions)

	2012		2011	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 117.1	\$ 77.9	\$ 109.6	\$ 85.7
School administration	13.7	13.2	18.2	15.7
Pupil transportation	3.2	1.9	2.8	1.3
Food services	5.0	0.3	4.8	0.3
Other student support services	7.3	6.0	6.9	5.6
Administration	7.6	6.6	9.2	8.2
Plant services	17.8	16.7	16.4	15.4
Other	10.6	9.0	20.8	20.4
Total	\$ 182.3	\$ 131.6	\$ 188.7	\$ 152.6

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$130.6 million, which is a decrease of \$0.7 million from last year.

Table 4

	Balances and Activity			
	July 1, 2012	Revenues	Expenditures	June 30, 2012
General Fund	\$ 25,851,216	\$ 148,612,365	\$ 153,833,226	\$ 20,630,355
Building Fund	76,719,780	17,230,985	11,587,337	82,363,428
County School Facilities Fund	1,826,612	16,005,386	16,464,037	1,367,961
Non-Major Governmental Funds	26,881,330	23,453,388	24,099,089	26,235,629
Total	\$ 131,278,938	\$ 205,302,124	\$ 205,983,689	\$ 130,597,373

The primary reasons for these changes are the following:

1. Our General Fund is our principal operating fund. The fund balance in the General Fund decreased from \$25.9 million to \$20.6 million. This recognized decrease is due to:
 - The 2011-2012 fiscal year is the fifth year of sustained reductions in funding for public education. Overall, K-12 funding was cut by nearly 20 percent in 2008-2009, and funding for education has remained at or below that level through 2011-2012. Given the additional constraints due to declining enrollment and significant program decreases and cuts to revenues, the District experienced deficit spending. To help minimize the problem, the Board of Education implemented cost-cutting measures when possible. Position and program changes have been kept to a minimum over prior year, substitute costs were decreased as much as possible, unfilled vacant positions were released, a retirement incentive program was offered, attrition savings realized, HMO/PPO medical plan changes were implemented, employee co-pays were continued, site and department savings were realized. In addition, one-time Federal American Recovery Reinvestment Act (ARRA) funds were completely expended to support lower grades K-3 class sizes. Significant tightening the budget was required to meet the State standards *and* criteria multi-year projection certification.
2. Two of the District's three Special Revenue Funds (Adult Education Fund and Cafeteria Fund) generated a net increase from the prior year of \$1,188,360 (excluding a \$2 million flex transfer to the Unrestricted General Fund) and \$77,701, respectively, mainly due to ongoing analysis of revenues and expenditures to ensure a positive net change.

The Deferred Maintenance Fund had a net increase of \$318,392 due to State revenues exceeding expenditures. (No flexibility transfer was processed out to the Unrestricted General Fund in the 2011-2012 fiscal year.)

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

3. The District is progressing with Bond building projects and modernization, even though State modernization funding has been slow in coming due to the State's budget crisis. For prior year approved projects, the District did receive modernization funding in the amount of \$13,348,536. The General Obligation Bond projects at various school sites expended approximately \$26.1 million, and modernization expenditures were \$286,573 from the County School Facilities Fund.
4. Developer fees were used for various modernization projects, with expenditures of \$3.0 million. Revenues did not exceed expenditures, resulting in a decrease in fund balance over the prior year of \$2.8 million.
5. The Bond Interest and Redemption Fund ending balance increased over the prior year by \$306,371 due to lower property tax collections that offset the debt payment.

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. Final amendments to the budget were approved in June 2012, upon year-end closing. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received has been provided in our annual report on page 64.)

- Revenue revisions made to the 2011-2012 budget were mainly due to significant funding changes recognized after the budget adoption, including a decrease to the revenue limit mainly due to an increase in the State deficit factor, per SB 81.
- Federal revenues increased due to prior year deferred revenues and program carry-forwards in Title I, Title II, Title III, Medi-Cal and MAA.
- State revenues had increases in funding due to prior year deferred revenues and program carry-forwards for Lottery and other miscellaneous programs. Revenue decreases were posted due to enacted legislation.

Local revenues reflect adjustments mainly for changes in interest earnings rates, use of facilities receipts, school gift funds, field trip receipts, Education Foundation, E.I.S.S. program, Microsoft Voucher Grant, BTSA Grant, ROP contract with County, one-time Redevelopment Agency dissolution funds and Special Education tuition bill-back for court ordered students in foster homes and licensed children's institutions.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had a net of \$205.4 million in a broad range of capital assets, including land, buildings, construction in progress, and furniture and equipment. This amount represents a net increase (including additions, deductions and depreciation) of \$3.9 million, or 1.94 percent, from last year.

Table 5

(Amounts in millions)

	Governmental Activities	
	2012	2011
Land	\$ 17.3	\$ 17.3
Construction in progress	24.9	24.5
Buildings and improvements, site improvements, net	158.7	154.6
Furniture and equipment, net	4.5	5.1
Total	\$ 205.4	\$ 201.5

This year's net additions of \$3.9 million (including depreciation) included bond and modernization projects at several sites, building improvements, a new bus, asphalt paving, irrigation, carpeting, kitchen upgrades, storm drainage, plumbing, painting, re-roofing, copier equipment, telecommunication system, virtual classroom hardware and software, and network upgrades.

A number of capital projects were completed during the fiscal year. The District budgeted multi-year bond projects to be approximately \$22.1 million to start the 2011-2012 year (excluding depreciation). We present more detailed information about our capital assets in Note 4 to the financial statements.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Long-Term Obligations

At the end of this year, the District had \$180.4 million in long-term obligations. Those obligations consisted of:

Table 6

(Amounts in millions)	Governmental Activities	
	2012	2011
General obligation bonds	\$ 69.3	\$ 69.1
General obligation bonds Financing Authority	92.3	93.0
General obligation bond premiums	1.8	2.1
General obligation bond premiums Financing Authority	3.7	3.9
Certificates of participation	10.7	11.3
Capital leases	-	0.6
Compensated absences	0.6	0.8
OPEB obligation	2.0	1.4
Total	\$ 180.4	\$ 182.2

The District's general obligation bond rating continues to be "AAA" (with insurance). The State limits the amount of general obligation debt that district's can issue to five percent of the assessed value of all taxable property within the district's boundaries. The District's outstanding general obligation debt of \$69.3 million is significantly below the statutorily - imposed limit.

We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2011-2012 ARE NOTED BELOW:

The District continues to support and monitor student achievement, as measured by State and federally mandated assessments, including but not limited to the CELDT, CAHSEE and STAR battery of tests.

Summary Points: District-Wide Results

- District-wide, the API for Simi Valley Unified went up five (5) points from a 2011 base of 828 to a 2012 growth API of 833
- Five (5) elementary schools have an API above 900
- Seventeen (17) elementary and five (5) secondary schools have an API above 800. No elementary schools are under 758. Garden Grove had the strongest growth on the API increasing 40 points
- Fifty-six percent (56%) of all schools met all targets (includes schools with growth APIs of 800 or more)
- Eighteen percent (18%) of all schools' API grew, targets not met (includes schools that met school-wide growth targets, but did not meet one or more subgroups)
- Twenty-six percent (26%) of all the District schools had an API that remained the same or declined, but targets not met
- Four (4) elementary schools met all AYP criteria: Big Springs, Vista, White Oak, and Wood Ranch

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

- Santa Susana Elementary is the only Title I school that remains out of program improvement
- Lincoln Elementary has entered the Y2 Program Improvement
- Berylwood and Park View have advanced to Y5 program improvement and will begin restructuring during the 2012-2013 school year. Schools are currently working with the Region 8 District and School Support Center consultant, Anna Merriman, to ensure they are in compliance
- Simi Valley Unified School District met 27 of 42 AYP criteria
- Simi Valley Unified School District has advanced to Y2 program improvement due to failure to meet AYP and grade span criteria

The District met two of the three Annual Measurable Achievement Objectives (AMAOs) as measured by the Title III program accountability report standards as follows:

AMAO 1 - The percent of students making annual progress in learning English: The target for AMAO 1 was 56.0 percent of the students progressing one or more levels. District students met this objective at 65.8 percent, exceeding the Federal target by almost 10 percent.

AMAO 2 - The percent of students' achieving English proficiency each year as measured by the CELDT. The target for Cohort 1 (students attending U.S. schools for less than five years) attaining English proficiency was 20.1 percent, District students exceeded this target (32.9 percent) by approximately 13 percent. Cohort 2 (students attending U.S. schools for more than five years) had an English proficiency target goal of 45.1 percent; District students did exceed the Federal target with 49.8 percent attaining the targeted proficiency. This target was missed last year so this accomplishment is well worth recognizing.

District-wide performance on the CAHSEE continues to be strong, with 90 percent of 10th grade students passing the English/Language Arts portion 89 percent passing the math portion on their first attempt (grade 10). District student performance exceeded the State passage rate by over 5 percent.

Classified personnel implemented the Custodial, Food Services, Grounds, Instructional, Maintenance, Transportation and Warehouse classification studies. The department completed the job classification study and it was implemented for regular unit members in 2011-2012.

On March 4, 2004, the voters passed Measure C4 authorizing the District to issue general obligation bonds totaling \$145,000,000 for the purpose of funding the design, construction, and modernization of District facilities. The District has issued all of these general obligation bonds. Approved project spending is closely monitored by an Independent Citizens' Oversight Committee.

The C4 Bond Program Department completed an expansion project at the Adult School, which added ten new classrooms and a new set of student and staff restrooms to the campus. The Bond Office also completed modernization projects at Hollow Hills and Parkview Elementary Schools, Sinaloa Middle School, and the first phase of the modernization project for Santa Susana High School.

The Maintenance and Operations Department completed 7,866 work orders at 30 school sites with 19 maintenance workers on staff.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Education services staff and site staff have written an extensive policy and procedure manual for school librarian use. Both purchasing and warehouse staff facilitated implementation of these procedures with respect to tracking textbook acquisition, organization and inventory of these items. This project will result in providing a more realistic estimate for instructional materials on-hand, as well as cost savings based on ordering only those materials needed throughout the District.

The Facilities Department has updated the five-year Deferred Maintenance plan and it is on file. The department completed Deferred Maintenance projects at 11 school sites, including a new roof on the MPR and 1A building at Valley View Middle School, exterior painting at Garden Grove and Justin Elementary schools and asphalt repairs and maintenance at ten schools.

The Food Services department continues to be self -supporting even during these economically trying times.

Daily average lunches served 8,400
Daily average breakfast served 850
Free and reduced 25 percent

Food Services took part in a sliced apple pilot program and were able to serve our students 1500 cases of individually wrapped apples for only the delivery fee.

Food Services applied for and subsequently awarded an equipment grant of \$134,000. This was used to update the serving counters at Parkview, Santa Susanna, Lincoln, and Berylwood Elementary schools. Also, two new re-thermalizing ovens and two convection ovens were purchased with the grant money.

To continue to remain completely solvent, the Adult Education program has continued to cut back school operating expenses from fiscal year 2010-2011. The program has managed to cut expenses by \$1.5 million from fiscal year 2008-2009 (\$8.3 million to \$6.8 million). During this same period, non-apportionment program revenues have only been reduced by \$22,245.

In addition, the Adult Education program has implemented web attendance which allows teacher access student information, reports and attendance from on campus and off campus, 24 hours a day.

Online Adult Education student registration has been expanded for student convenience.

The Adult Education program has invested in new up-to-date networkable copiers for teachers and administration use to replace 12-year old copiers.

During the months of May and June each year, the District finalizes its adopted budget for the coming year. In order to project the budget, a series of assumptions about the conditions of the District must be determined. These assumptions are then inserted into the State and District formulas in order to determine the final budget for the next year.

The accuracy of the District's budget projection for the next year is only as good as the assumptions that are used in developing the budget. If the assumptions are wrong, so too will be the budget. As a consequence, the assumptions - at least the primary ones - have to be carefully considered in evaluating the accuracy of next year's income and expense. Often, the assumptions for budget development are revised several times during a fiscal year.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Since it is impossible to accurately predict the assumptions that are needed in budget development, Simi Valley School District updates its budget, and assumptions, three times after the original budget is adopted. The assumptions are updated with a revision that occurs within 45 days after the adoption of the State Budget and with two interim reports that are delivered to the Board of Education in December and March of each fiscal year.

In considering the District Budget for the 2012-2013 year, the District Board and management used the following criteria:

The key assumptions in our 2012-2013 Adopted Budget revenue forecast are:

1. The adopted budget included a revenue limit negative adjustment of \$441.00 per ADA, to reflect the possibility of Proposition 30 not passing in the November election. This negative State revenue adjustment was in the amount of \$8,229,413.
2. A cut of 15 work furlough days was included in the adopted budget, subject to a negotiated Memo of Understanding for both certificated and classified employees. (These 15 furlough days may be subsequently repealed at 1st Interim budget revision, should Proposition 30 pass). However, further negotiations are ongoing in recognition of a significant General Fund structural operating deficit of approximately \$10.9 million at the adopted budget.
3. Employee co-pay contributions for those eligible for Health and Welfare benefits continue, as in prior year, at approximately ten percent of total Health and Welfare premium costs.
4. Student enrollment to decrease from prior year by approximately 511 students, due to the state of the economy, unemployment and housing market. (Actual revenue limit funding based on prior year average daily attendance; however, multi-year projections are negatively affected.)
5. Zero equalization funding.
6. Revenue limit income increased by a positive Cost of Living Adjustment (COLA) of \$212.00 per ADA, or 3.24 percent. Plus ADA for meals for the needy and beginning teacher salary add-on at \$29.42.
7. Revenue limit income decreased by a deficit factor equal to \$1,499.36 per ADA, or 22.272 percent, basically providing "flat funding" over prior year (before implementation of SB 81 in 2011-2012).
8. ABX4 2 provided clean-up language that establishes 2007-2008 as the base year for calculating the revenue for all Tier III programs, which equates to approximately a 15.43 percent cut to these programs in 2008-2009, and an additional cut of 4.47 percent in 2009-2010 for a total continued cut of 19.9 percent in 2010-2011 through 2012-2013.
9. In 2008-2009 through 2014-2015, SBX3 4 moves several categorical program funds, supplemental hourly funding, the Adult Education Block Grant and the Deferred Maintenance Fund apportionment to Tier III Programs. The Adult Education Block Grant funds and Deferred Maintenance apportionments will be retained in the Adult Education Fund and Deferred Maintenance Fund for their general program purpose. Flexibility usage of Tier III categorical programs is available until June 30, 2015. In the budget year, the Adult Education Fund has contributed to the unrestricted General Fund \$1,500,000.
10. Estimated lottery receipts at \$130.00 per annual ADA (\$125.00 unrestricted; \$30.00 restricted).
11. CalPERS' school employer rate of 11.417 percent plus revenue limit CalPERS reduction rate of 1.603 percent for a total CalPERS funding rate of 13.02 percent is included in the adopted budget. Furthermore, the revenue limit calculation includes a partial CalPERS reduction buyout savings of 40.1 percent.
12. Interest earnings are estimated at .55 percent and California CPI is estimated at 2.3 percent.
13. Developer fee collections are based on significantly lower estimated new housing units to be constructed due to the declining economy, current housing market, and lower building permit trends.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

14. Special Education is budgeted with a zero COLA, with no growth due to the continuing decline in total ADA. District level funding for Special Education is expected to decline by approximately \$534,000 below prior year levels due to various funding adjustments. A County-wide agreement was reached to retain mental health services funding at the SELPA level, for this fiscal year. The District may be required to directly pay for these services in the future, at significant cost to the General Fund.
15. Federal income decreased significantly due to the exhaustion of all ARRA Federal education jobs funding in the amount of \$3,845,881. Other Federal funds are expected to remain fairly consistent with the population of qualified students remaining stable.
16. K-3 class size reduction is budgeted at \$1,071 for full day program, fewer penalties for higher-class sizes over 20:1 on a sliding scale basis. At adopted budget, K-3 class sizes were staffed at 28:1 and may be reduced at 1st Interim budget revision to 24:1, pending the outcome of Proposition 30. Reduced penalties for K-3 class-size will be realized through June 30, 2014.
17. Ninth grade class size reduction is now a Tier III program, and will be funded at the 2007-2008 funding level of \$213 per participating pupil count, less the Statewide funding ratio. These funds continue to be retained and used in the unrestricted General Fund.
18. MAA Administrative Services Program (Medicaid-eligible students with disabilities) was implemented in 2007. This Special Education reimbursement billing process generated cash receipts of \$166,406 in 2011-2012 and is expected to generate at least that much if not more in 2012-2013. In the budget year, the program will be expanded to include additional practitioner staff. Currently, this revenue source is funded by the Department of Health Care Services.
19. Routine restricted maintenance set-aside reduced to zero until June 30, 2015.
20. Suspension of Deferred Maintenance local match requirements until June 30, 2015.
21. Suspension of instructional materials adoption requirement until June 30, 2015.

Expenditures are based on the following forecasts:

1. Board policy limiting capital outlay in the unrestricted General Fund remains in effect.
2. No salary schedule increases have been included in the Adopted Budget; negotiations are unsettled at this time. Step and column increases are included in the budget at an estimated \$1.2 million. The District expects approximately 35 certificated retirees and 11 classified retirees.

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Grades kindergarten through third*	28:1	5,621
Grades four through six	31:1	4,132
Grades seven through eight	32:1	2,960
Grades nine through twelve	32:1	6,208

*The Districts four Title schools are staffed at 20:1

In 2012-2013, the District implemented a new Transitional Kindergarten program which will be integrated with traditional kindergarten classes. Two additional teaching positions were established for this program. Additional ADA realized from this program will help future year revenue. No additional ADA revenue will be realized in the budget year, due to overall declining enrollment. The District is funded on 2011-2012 ADA which is greater.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

Items to be addressed in the budget are:

California public education has been on a rollercoaster funding cycle for the last several years. In the early 1990s, California's recession led to almost no increase per ADA funding for four years. In the mid-1990s, a major increase in State revenues led to an unprecedented new program to reduce class size in grades K-3. In 2000-2001, the State Budget provided per ADA increases of close to 11 percent, but then, for the next three years education funding rollbacks re-emerged. The volatility of funding has plagued school district planning for almost a generation and has continued to worsen. Since 2007, State funding has continued a downward slide due to a severe economic depression. Currently, State funding deficits are up to 22.272 percent of what is owed to school districts. In addition, the State has deferred apportionment payments, which continues to plague districts in meeting their financial obligations.

Approximately 90 percent of the District's revenue is determined by the State of California and, in turn, State revenues are determined by the growth in the economy. The Governor's Office for 2012-2013 continues to acknowledge the growing State budget crisis, identifying a June 2013, and deficit of approximately \$15.7 billion if left unaddressed. As a result, the Governor's 2012-2013 mid-year budget "triggers" hinge on whether or not Proposition 30 passes in the November election, before the Governor can begin to try to close the critical growing budget gap. Currently, the brunt of the proposed State funding reductions will reduce school district funding even further since school district funding is approximately 40 to 50 percent of the State's budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent, Business and Facilities, Simi Valley Unified School District, 875 E. Cochran, Simi Valley, California, 93065, or e-mail at: lschultz@simi.k12.ca.us.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS JUNE 30, 2012

	Governmental Activities
ASSETS	
Deposits and investments	\$ 112,984,089
Receivables	39,564,793
Stores inventories	363,324
Prepaid expenditures	481,308
Deferred cost of issuance	5,721,570
Capital assets	
Land and construction in progress	42,104,212
Other capital assets	296,173,581
Less: accumulated depreciation	<u>(132,899,671)</u>
Capital assets, net of accumulated depreciation	<u>205,378,122</u>
Total Assets	<u>364,493,206</u>
LIABILITIES	
Accounts payable	10,568,155
Interest payable	2,619,772
Due to other governments	1,666,578
Deferred revenue	94,352
Claims liability	8,727,986
Long-term obligations	
Current portion of long-term obligations	4,285,000
Noncurrent portion of long-term obligations	<u>176,270,178</u>
Total Long-Term Obligations	<u>180,555,178</u>
Total Liabilities	<u>204,232,021</u>
NET ASSETS	
Invested in capital assets, net of related debt	124,976,254
Restricted for:	
Debt service	6,002,918
Capital projects	12,553,178
Educational programs	4,124,167
Other activities	769,354
Unrestricted	<u>11,835,314</u>
Total Net Assets	<u>\$ 160,261,185</u>

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

SIMI VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Assets
					Governmental Activities
Governmental Activities					
Instruction	\$ 111,980,402	\$ 481,552	\$ 21,052,100	\$ 16,005,386	\$ (74,441,364)
Instruction related activities:					
Supervision of instruction	4,105,991	33,058	1,682,260	-	(2,390,673)
Instructional library, media, and technology	1,065,244	4,751	70,129	-	(990,364)
School site administration	13,745,629	32,566	502,230	-	(13,210,833)
Pupil services:					
Home-to-school transportation	3,151,516	1,450	1,286,598	-	(1,863,468)
Food services	5,025,634	1,943,554	2,737,844	-	(344,236)
All other pupil services	7,304,397	35,803	1,250,956	-	(6,017,638)
Administration:					
Data processing	1,791,302	10,321	13,621	-	(1,767,360)
All other administration	5,830,660	121,827	841,613	-	(4,867,220)
Plant services	17,754,771	241,378	829,927	-	(16,683,466)
Ancillary services	1,364,231	15,165	49,384	-	(1,299,682)
Community services	545,072	7,890	24,457	-	(512,725)
Enterprise services	32,545	49	64	-	(32,432)
Interest on long-term obligations	8,336,656	-	-	-	(8,336,656)
Other (outgo)	286,493	596,673	867,009	-	1,177,189
Total Governmental Activities	\$ 182,320,543	\$ 3,526,037	\$ 31,208,192	\$ 16,005,386	(131,580,928)
General revenues and subventions:					
Property taxes, levied for general purposes					38,913,151
Property taxes, levied for debt service					9,325,456
Taxes levied for other specific purposes					863,063
Federal and State aid not restricted to specific purposes					82,713,812
Interest and investment earnings					226,488
Interagency revenues					250,687
Miscellaneous					4,752,380
Subtotal, General Revenues					137,045,037
Changes in Net Assets					5,464,109
Net Assets - Beginning					154,797,076
Net Assets - Ending					\$ 160,261,185

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

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012**

	General Fund	Building Fund	County School Facilities Fund
ASSETS			
Deposits and investments	\$ 459,606	\$ 79,744,480	\$ 1,542,618
Accounts receivable	34,892,178	561,989	2,648,829
Due from other funds	435,564	2,798,358	3,319
Stores inventories	297,363	-	-
Prepaid expenditures	481,308	-	-
Total Assets	\$ 36,566,019	\$ 83,104,827	\$ 4,194,766
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 8,549,067	\$ 584,014	\$ 179,399
Due to other funds	5,625,667	157,385	2,647,406
Due to other governments	1,666,578	-	-
Deferred revenue	94,352	-	-
Total Liabilities	15,935,664	741,399	2,826,805
Fund Balances:			
Nonspendable	863,976	-	-
Restricted	3,194,748	82,363,428	1,367,961
Committed	-	-	-
Unassigned	16,571,631	-	-
Total Fund Balances	20,630,355	82,363,428	1,367,961
Total Liabilities and Fund Balances	\$ 36,566,019	\$ 83,104,827	\$ 4,194,766

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 22,094,740	\$ 103,841,444
1,253,793	39,356,789
3,802,465	7,039,706
65,961	363,324
-	481,308
<u>\$ 27,216,959</u>	<u>\$ 151,082,571</u>
\$ 894,876	\$ 10,207,356
86,454	8,516,912
-	1,666,578
-	94,352
<u>981,330</u>	<u>20,485,198</u>
66,661	930,637
21,711,501	108,637,638
4,457,467	4,457,467
-	16,571,631
<u>26,235,629</u>	<u>130,597,373</u>
<u>\$ 27,216,959</u>	<u>\$ 151,082,571</u>

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

Total Fund Balance - Governmental Funds		\$ 130,597,373
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is:	\$ 338,277,793	
Accumulated depreciation is:	<u>(132,899,671)</u>	
		205,378,122
Expenditures relating to issuance of debt of next fiscal year were recognized in modified accrual basis, but should not be recognized in accrual basis.		5,721,570
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest in long-term obligations is recognized when it is incurred.		(2,619,772)
An internal service fund is used by the District's management to charge the costs of the workers' compensation and medical benefits insurance program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities.		1,739,070
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
Bonds payable	150,836,544	
Premium on bonds issued	5,519,969	
Certificates of participation payable	10,740,000	
Compensated absences (vacations)	645,672	
Other postemployment benefits	2,035,724	
In addition, the District previously issued "capital appreciation" general obligation bonds. The cumulative capital accretion on the general obligation bonds is:	<u>10,777,269</u>	
		(180,555,178)
Total Net Assets - Governmental Activities		<u><u>\$ 160,261,185</u></u>

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

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>General Fund</u>	<u>Building Fund</u>	<u>County School Facilities Fund</u>
REVENUES			
Revenue limit sources	\$ 99,867,791	\$ -	\$ -
Federal sources	10,265,128	-	-
Other State sources	24,680,350	-	15,993,882
Other local sources	13,799,096	1,219,772	11,504
Total Revenues	<u>148,612,365</u>	<u>1,219,772</u>	<u>16,005,386</u>
EXPENDITURES			
Current			
Instruction	102,924,929	-	-
Instruction related activities:			
Supervision of instruction	3,625,285	-	-
Instructional library, media, and technology	1,006,980	-	-
School site administration	11,086,896	-	-
Pupil services:			
Home-to-school transportation	2,974,077	-	-
Food services	169,089	-	-
All other pupil services	6,717,324	-	-
Administration:			
Data processing	1,720,091	-	-
All other administration	5,852,892	-	-
Plant services	14,594,404	93,725	-
Facility acquisition and construction	180,536	10,731,244	470,155
Ancillary services	1,302,731	-	-
Community services	408,394	-	-
Other outgo	286,493	-	-
Enterprise services	32,545	-	-
Debt service			
Principal	188,349	401,321	-
Interest and other	-	-	-
Total Expenditures	<u>153,071,015</u>	<u>11,226,290</u>	<u>470,155</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,458,650)</u>	<u>(10,006,518)</u>	<u>15,535,231</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	15,993,882	-
Other sources	-	17,331	-
Transfers out	(762,211)	(361,047)	(15,993,882)
Net Financing Sources (Uses)	<u>(762,211)</u>	<u>15,650,166</u>	<u>(15,993,882)</u>
NET CHANGE IN FUND BALANCES	<u>(5,220,861)</u>	<u>5,643,648</u>	<u>(458,651)</u>
Fund Balances - Beginning	<u>25,851,216</u>	<u>76,719,780</u>	<u>1,826,612</u>
Fund Balances - Ending	<u>\$ 20,630,355</u>	<u>\$ 82,363,428</u>	<u>\$ 1,367,961</u>

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

Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 99,867,791
3,079,763	13,344,891
5,063,053	45,737,285
13,730,647	28,761,019
<u>21,873,463</u>	<u>187,710,986</u>
3,496,002	106,420,931
243,533	3,868,818
-	1,006,980
1,887,146	12,974,042
-	2,974,077
4,643,721	4,812,810
240,582	6,957,906
-	1,720,091
254,070	6,106,962
1,292,079	15,980,208
1,329,578	12,711,513
-	1,302,731
112,402	520,796
-	286,493
-	32,545
3,750,000	4,339,670
6,393,309	6,393,309
<u>23,642,422</u>	<u>188,409,882</u>
<u>(1,768,959)</u>	<u>(698,896)</u>
1,579,925	17,573,807
-	17,331
<u>(456,667)</u>	<u>(17,573,807)</u>
<u>1,123,258</u>	<u>17,331</u>
(645,701)	(681,565)
26,881,330	131,278,938
<u>\$ 26,235,629</u>	<u>\$ 130,597,373</u>

SIMI VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012

Total Net Change in Fund Balances - Governmental Funds \$ (681,565)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

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

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

Capital outlay	\$ 11,813,698	
Depreciation expense	<u>(7,974,795)</u>	3,838,903

An internal service fund is used by the District's management to charge the costs of the unemployment compensation insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities. 384,602

Loss on disposal of capital assets is reported in the government-wide financial Statement of Net Assets, but is not recorded in the governmental funds. (3,179)

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: 154,327

In the Statement of Activities Other Postemployment Benefits Obligations (OPEB) are measured by an actuarially determined Annual Required Contribution (ARC). In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, amounts contributed toward the OPEB obligation were less than the ARC by \$625,302. (625,302)

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:

Amortization of debt premium	481,374	
Amortization of cost of issuance	<u>(485,658)</u>	
Combined adjustment		(4,284)

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

SIMI VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES (Continued) FOR THE YEAR ENDED JUNE 30, 2012

Repayment of long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Assets

General obligation bonds	\$ 2,520,000	
General obligation bonds - Financing Authority	715,000	
Certificates of participation	515,000	
Capital leases	<u>589,670</u>	
Combined adjustment		\$ 4,339,670

The accretion of interest on capital appreciation bonds is not recognized in the governmental funds, but it increases long-term obligations in the Statement of Net Assets and increases interest expense in the Statement of Activities.

(2,729,888)

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the net result of prior year and current year interest accrued.

	<u>790,825</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 5,464,109</u></u>

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

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	Governmental Activities		
	Internal Service Funds		
	Workers' Compensation	Medical	Total
ASSETS			
Current Assets			
Deposits and investments	\$ 8,267,979	\$ 874,666	\$ 9,142,645
Receivables	117,370	90,634	208,004
Due from other funds	253,369	1,417,502	1,670,871
Total Current Assets	8,638,718	2,382,802	11,021,520
LIABILITIES			
Current Liabilities			
Accounts payable	24,128	336,671	360,799
Claim liabilities	6,957,102	1,770,884	8,727,986
Due to other funds	78,029	115,636	193,665
Total Current Liabilities	7,059,259	2,223,191	9,282,450
NET ASSETS			
Unrestricted	1,579,459	159,611	1,739,070
Total Net Assets	\$ 1,579,459	\$ 159,611	\$ 1,739,070

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

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

	Governmental Activities		
	Internal Service Funds		
	Workers' Compensation	Medical	Total
OPERATING REVENUES			
Local and intermediate sources	\$ 2,572,835	\$ 14,887,583	\$ 17,460,418
Total Operating Revenues	<u>2,572,835</u>	<u>14,887,583</u>	<u>17,460,418</u>
OPERATING EXPENSES			
Payroll costs	189,978	124,361	314,339
Professional and contract services	2,565,707	14,248,701	16,814,408
Supplies and materials	866	2,538	3,404
Total Operating Expenses	<u>2,756,551</u>	<u>14,375,600</u>	<u>17,132,151</u>
Operating Gain (Loss)	<u>(183,716)</u>	<u>511,983</u>	<u>328,267</u>
NONOPERATING REVENUES			
Interest income	49,885	6,450	56,335
Change in Net Assets	<u>(133,831)</u>	<u>518,433</u>	<u>384,602</u>
Total Net Assets - Beginning	<u>1,713,290</u>	<u>(358,822)</u>	<u>1,354,468</u>
Total Net Assets - Ending	<u>\$ 1,579,459</u>	<u>\$ 159,611</u>	<u>\$ 1,739,070</u>

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

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012**

	Governmental Activities		
	Internal Service Funds		
	Workers' Compensation	Medical	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from assessments made to other funds	\$ 2,541,124	\$ 13,297,941	\$ 15,839,065
Cash payments to employees for services	(189,978)	(124,361)	(314,339)
Cash payments for insurance claims	(2,286,099)	(13,731,423)	(16,017,522)
Cash payments for other operating expenses	(866)	(2,538)	(3,404)
Net Cash Provided by (Used in) Operating Activities	64,181	(560,381)	(496,200)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	49,885	6,450	56,335
Net Increase (Decrease) in Cash and Cash Equivalents	114,066	(553,931)	(439,865)
Cash and Cash Equivalents - Beginning	8,153,913	1,428,597	9,582,510
Cash and Cash Equivalents - Ending	<u>\$ 8,267,979</u>	<u>\$ 874,666</u>	<u>\$ 9,142,645</u>
CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating gain (loss)	\$ (183,716)	\$ 511,983	\$ 328,267
Adjustments to reconcile operating gain (loss) to net cash provided by (used in) operating activities:			
Changes in assets and liabilities:			
Receivables	(31,997)	260,938	228,941
Prepaid expenditures	-	2,870	2,870
Due from other funds	286	(1,417,098)	(1,416,812)
Accounts payable	169,811	77,903	247,714
Claims liability	104,767	-	104,767
Due to other funds	5,030	3,023	8,053
Net Cash Provided by (Used in) Operating Activities	\$ 64,181	\$ (560,381)	\$ (496,200)

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

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 1,662,093
Receivables	11,239
Stores inventories	133,082
Total Assets	<u><u>\$ 1,806,414</u></u>
 LIABILITIES	
Accounts payable	\$ 327,682
Due to student groups	1,478,732
Total Liabilities	<u><u>\$ 1,806,414</u></u>

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

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Simi Valley Unified School District (the District) was formed in 1936, under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and Federal agencies. The District operates twenty-one elementary schools, three middle schools, three high schools, an alternative education program, one adult school, and one continuation high school.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt, or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Simi Valley School Financing Authority's (the Authority) financial activity is presented in the financial statements in the Building Fund and the Financing Authority Debt Service Fund. General obligation refunding bonds issued by the Authority are included as long-term obligations in the government-wide financial statements. Individually-prepared financial statements are not prepared for the Simi Valley School Financing Authority.

Other Related Entities

Public Entity Risk Pools and Joint Powers Authorities The District is associated with one risk pool and two joint powers authorities. These organizations do not meet the criteria for inclusion as component units of the District. Additional information is presented in Note 15 to the financial statements. These organizations are:

- Ventura County Schools Self-Funding Authority (VCSSFA)
- York Risk Services Group (YRSA)
- Ventura County Fast Action School Transit Authority (VCFAST)

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

Capital Project Funds The Capital Project funds are used to account for and report financial resources that are restricted, committed, or assigned to the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

COP Facilities Fund The COP Facilities Fund is used to account for the ongoing redevelopment agency deposits and district contributions for debt retirement and expenditures of approved projects of school stadiums, gymnasiums, tennis courts, MPR and Quad upgrade and stadium restructuring.

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Debt Service Funds The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term obligations.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

Financing Authority Debt Service Fund The Financing Authority Debt Service Fund is used to account separately for the debt service activity and the assets available for the repayment of debt of the Financing Authority.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Fund Internal service funds may be used to account for any activity for which goods or services are provided to other funds of the District in return for a fee to cover the cost of operations. The District operates two internal service funds, medical benefits and workers' compensation.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the District and for each governmental function, and exclude fiduciary activity. 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 the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Proprietary Funds Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net assets. The statement of changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Deferred Revenue Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as deferred revenue. On the governmental fund financial statements, when applicable, receivables that will not be collected within the available period are also recorded as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, that have not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2012, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the proprietary type funds when used.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

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

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net assets. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

Deferred Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Fund Balances - Governmental Funds

As of June 30, 2012, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes. The District currently does not have any assigned funds.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses. If a fund balance drops below four percent, it shall be recovered at a rate of one percent minimally each year.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements report \$23,449,617 of restricted net assets.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are self-insurance premiums for insurance cost. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental activities column of the statement of activities.

Estimates

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

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Budgetary Data

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Ventura bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship, or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*—an amendment of Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

This Statement is effective for fiscal years beginning after June 15, 2014. Earlier implementation is encouraged.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2012, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 112,984,089
Fiduciary funds	1,662,093
Total Deposits and Investments	<u>\$ 114,646,182</u>

Deposits and investments as of June 30, 2012, consist of the following:

Cash on hand and in banks	\$ 3,080,109
Cash in revolving	161,005
Investments	111,405,068
Total Deposits and Investments	<u>\$ 114,646,182</u>

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

General Authorizations

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

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

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities through the last scheduled payment of the certificates of participation debt.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by primarily investing in the county pool to provide the cash flow and liquidity needed for operations.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Fair Value	Maturity Date
Ventura County Investment Pool	\$ 105,922,410	337*
First American Treasury Obligations	5,608,583	7/1/2012
Total	<u>\$ 111,530,993</u>	

* Weighted Average Maturity in days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the county pool and investment agreement are not required to be rated, nor have they been rated as of June 30, 2012. The mutual fund investment is rated "AAA" by Moody's Investor's Service.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2012, the District's bank balances are collateralized in accordance with State law.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in the certificates of participation trustee accounts, the District has a custodial credit risk exposure of the entire balance because the related securities are uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 3 - RECEIVABLES

Receivables at June 30, 2012, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	County School Facilities Funds	Non-Major Governmental Funds
Federal Government				
Categorical aid	\$ 1,237,899	\$ -	\$ -	\$ 567,632
State Government				
Apportionment	24,237,812	-	-	-
Categorical aid	5,838,082	-	2,645,346	466,061
Lottery	1,750,643	-	-	-
Local Government				
Interest	21,731	101,907	2,084	35,946
Other local sources	1,806,011	460,082	1,399	184,154
Total	<u>\$ 34,892,178</u>	<u>\$ 561,989</u>	<u>\$ 2,648,829</u>	<u>\$ 1,253,793</u>

	Internal Service Funds	Total Governmental Activities	Fiduciary Funds
Federal Government			
Categorical aid	\$ -	\$ 1,805,531	\$ -
State Government			
Apportionment	-	24,237,812	-
Categorical aid	-	8,949,489	-
Lottery	-	1,750,643	-
Local Government			
Interest	12,453	174,121	-
Other local sources	195,551	2,647,197	11,239
Total	<u>\$ 208,004</u>	<u>\$ 39,564,793</u>	<u>\$ 11,239</u>

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 17,254,066	\$ -	\$ -	\$ 17,254,066
Construction in progress	24,507,003	9,075,455	8,732,312	24,850,146
Total Capital Assets Not Being Depreciated	<u>41,761,069</u>	<u>9,075,455</u>	<u>8,732,312</u>	<u>42,104,212</u>
Capital Assets Being Depreciated				
Land improvements	24,877,776	139,443	-	25,017,219
Buildings and improvements	241,672,498	10,808,259	-	252,480,757
Furniture and equipment	18,363,500	522,853	210,748	18,675,605
Total Capital Assets Being Depreciated	<u>284,913,774</u>	<u>11,470,555</u>	<u>210,748</u>	<u>296,173,581</u>
Less Accumulated Depreciation				
Land improvements	13,284,443	974,644	-	14,259,087
Buildings and improvements	98,611,611	5,842,667	-	104,454,278
Furniture and equipment	13,236,391	1,157,484	207,569	14,186,306
Total Accumulated Depreciation	<u>125,132,445</u>	<u>7,974,795</u>	<u>207,569</u>	<u>132,899,671</u>
Governmental Activities Capital Assets, Net	<u>\$ 201,542,398</u>	<u>\$ 12,571,215</u>	<u>\$ 8,735,491</u>	<u>\$ 205,378,122</u>

Depreciation expense was charged as a direct expense to governmental activities functions as follows:

Governmental Activities	
Instruction	\$ 5,229,937
Supervision of instruction	193,402
Instructional library, media, and technology	58,264
School site administration	640,899
Home-to-school transportation	142,422
Food services	212,824
All other pupil services	300,219
Data processing	71,211
All other administration	189,356
Plant services	850,485
Ancillary services	61,500
Community services	24,276
Total Depreciation Expenses All Activities	<u>\$ 7,974,795</u>

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2012, between major and non-major governmental funds and internal service fund are as follows:

Due To	Due From					Total
	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Proprietary Funds	
General Fund	\$ -	\$ 155,385	\$ 60	\$ 86,454	\$ 193,665	\$ 435,564
Building Fund	151,012	-	2,647,346	-	-	2,798,358
County School Facilities Fund	1,319	2,000	-	-	-	3,319
Non-Major Governmental Funds	3,802,465	-	-	-	-	3,802,465
Proprietary Funds	1,670,871	-	-	-	-	1,670,871
Total	<u>\$ 5,625,667</u>	<u>\$ 157,385</u>	<u>\$ 2,647,406</u>	<u>\$ 86,454</u>	<u>\$ 193,665</u>	<u>\$ 8,710,577</u>

A balance of \$1,417,029 is due to the Medical Self Insurance Proprietary Fund from the General Fund for Health and Benefits expenditures.

A balance of \$252,537 is due to the Workers Compensation Proprietary Fund from the General Fund for workers' compensation benefits expenditures.

A balance of \$148,873 is due to the General Fund from the Building Fund to cover support salaries.

A balance of \$112,548 is due to the General Fund from the Medical Self-Insurance Proprietary Fund to cover support salaries.

A balance of \$77,630 is due to the General Fund from the Workers' Compensation Proprietary Fund to cover support salaries.

A balance of \$58,997 is due to the General Fund from the Deferred Maintenance Non-Major Governmental Fund to cover support salaries.

The balance of \$2,647,346 is due to the Building Fund from the County School Facilities Fund to cover construction project costs.

A balance of \$762,211 is due to the Non-Major Governmental Fund for Special Reserve Fund for Capital Outlay Projects from the General Fund for debt services payments.

A balance of \$3,000,000 is due to the General Fund from the Capital Facilities Non-Major Governmental Fund to repay a short term loan used for cash flow purposes.

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

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Operating Transfers

Interfund transfers for the year ended June 30, 2012, consisted of the following:

Transfer To	Transfer From				Total
	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	
Building Fund	\$ -	\$ -	\$ 15,993,882	\$ -	\$ 15,993,882
Non-Major Governmental Funds	762,211	361,047	-	456,667	1,579,925
Total	<u>\$ 762,211</u>	<u>\$ 361,047</u>	<u>\$ 15,993,882</u>	<u>\$ 456,667</u>	<u>\$ 17,573,807</u>

The County School Facilities Fund transferred to the Building Fund for reimbursement of construction for modernization projects.	\$ 15,993,882
The Building Fund transferred to the Non-Major Governmental Special Reserve Fund for Capital Outlay Projects for COP debt payment.	361,047
The General Fund transferred to Special Reserve Fund for Capital Outlay Projects for cash flow purposes.	762,211
The Special Reserve Non-Major Governmental Fund for Capital Outlay Projects transferred to the COP Facilities Non-Major Governmental Fund for the COP debt service payments.	456,667
Total	<u>\$ 17,573,807</u>

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2012, consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Internal Service Funds
Vendor payables	\$ 3,086,907	\$ -	\$ -	\$ 543,501	\$ 360,799
Salaries and benefits	5,452,548	-	179,399	351,375	-
Ventura County Office of Education	9,612	-	-	-	-
Construction	-	584,014	-	-	-
Due to Grantor Governments	1,666,578	-	-	-	-
Total	<u>\$ 10,215,645</u>	<u>\$ 584,014</u>	<u>\$ 179,399</u>	<u>\$ 894,876</u>	<u>\$ 360,799</u>

	Total Governmental Funds	Fiduciary Funds
Vendor payables	\$ 3,991,207	\$ 327,682
Salaries and benefits	5,983,322	-
Ventura County Office of Education	9,612	-
Construction	584,014	-
Due to Grantor Governments	1,666,578	-
Total	<u>\$ 12,234,733</u>	<u>\$ 327,682</u>

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2012, consisted of the following:

	General Fund
Federal financial assistance	\$ 62,497
State categorical aid	31,855
Total	<u>\$ 94,352</u>

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

On July 1, 2011, the District issued \$5,000,000 Tax and Revenue Anticipation Notes bearing interest at 0.52 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on May 1, 2012. By March 2012, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes. As the District has in substance defeased the debt, the tax anticipation notes of \$5,000,000 and related accrued interest and cash held in trust are not included in these financial statements.

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Due in One Year
General Obligation (G.O.) Bonds	\$ 69,128,925	\$ 2,729,888	\$ 2,520,000	\$ 69,338,813	\$ 2,815,000
G.O. Bond Financing Authority	92,990,000	-	715,000	92,275,000	910,000
G.O. Bond Premiums	2,065,860	-	249,875	1,815,985	-
G.O. Bond Premiums Financing Authority	3,935,483	-	231,499	3,703,984	-
Certificates of Participation	11,255,000	-	515,000	10,740,000	560,000
Capital Leases	589,670	-	589,670	-	-
Compensated Absences	799,999	-	154,327	645,672	-
Other Postemployment Benefits	1,410,422	1,213,229	587,927	2,035,724	-
Total	<u>\$ 182,175,359</u>	<u>\$ 3,943,117</u>	<u>\$ 5,563,298</u>	<u>\$ 180,555,178</u>	<u>\$ 4,285,000</u>

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Bonded Debt

General Obligation Bonds, 1998 Refunding Bonds

In August 1998, the District issued \$6,131,757 aggregate principal amount of the General Obligation Bonds, Election of 1998, Refunding of Series C. The Election of 1998, Refunding of Series C Bonds were issued as both current interest and capital appreciation bonds, with the capital appreciation bonds accreting interest to a maturity value of \$2,370,000. The bonds mature through August 1, 2017, with interest rates from 5.55 to 6.80 percent. Proceeds from the sale of the bonds were used to refund the 1989 Series C, General Obligation Bonds. The refunding has resulted in a net savings in future principal and interest payments. At June 30, 2012, the principal balance outstanding was \$2,713,031, (\$850,000 in current interest bonds and \$1,863,031 in capital interest bonds).

2004 General Obligation Refunding Bonds

In January 2004, the District issued \$16,150,000 principal amount of the 2004 General Obligation Refunding Bonds. The 2004 Refunding Bonds were issued as current interest bonds. The bonds mature through August 1, 2018, with an interest rate of 5.00 percent. Proceeds from the sale of the bonds were used to refund a portion of the February 1, 1996, General Obligation Bonds and pay costs of issuance of the refunding bonds. The refunding has resulted in a net savings in future principal and interest payments. At June 30, 2012, the principal balance outstanding was \$6,185,000.

General Obligation Bonds, Election of 2004, Series A

In May 2004, the District issued \$59,999,969 aggregate principal amount of the General Obligation Bonds, Election of 2004, Series A. The Election of 2004, Series A Bonds were issued as both current interest and capital appreciation bonds, with the capital appreciation bonds accreting interest to a maturity value of \$6,460,000. The bonds mature through June 1, 2029, with interest rates from 1.60 to 5.92 percent. Proceeds from the sale of the bonds were used to finance specific construction and modernization projects approved by the voters and pay costs of issuance of the bonds. A portion of the issue was refunded in July 2007, with the 2007 District Refunding Bonds. At June 30, 2012, the principal balance outstanding was \$5,574,805, (\$3,815,000 in current interest bonds and \$1,759,805 in capital appreciation bonds).

General Obligation Bonds, Election of 2004, Series B

In November 2005, the District issued \$39,999,199 aggregate principal amount of the General Obligation Bonds, Election of 2004, Series B. The Election of 2004, Series B Bonds were issued as both current interest and capital appreciation bonds, with the capital appreciation bonds accreting interest to a maturity value of \$1,500,000. The bonds mature through August 1, 2018, with interest rates from 3.10 to 4.60 percent. Proceeds from the sale of the bonds were used to finance specific construction and modernization projects approved by the voters and pay costs of issuance of the bonds. A portion of the issue was refunded in July 2007, with the 2007 District Refunding Bonds. At June 30, 2012, the principal balance outstanding was \$1,511,321, (\$625,000 in current interest bonds and \$886,321 in capital appreciation bonds).

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

General Obligation Bonds, Election of 2004, Series C

In October 2007, the District issued \$45,000,619 aggregate principal amount of the General Obligation Bonds, Election of 2004, Series C. The Election of 2004, Series C Bonds were issued as both current interest and capital appreciation bonds, with the capital appreciation bonds accreting interest to a maturity value of \$99,650,000. The bonds mature through August 1, 2032, with interest rates from 4.00 to 4.79 percent. Proceeds from the sale of the bonds were used to finance specific construction and modernization projects approved by the voters and pay costs of issuance of the bonds. At June 30, 2012, the principal balance outstanding was \$53,354,656, (\$10,820,000 in current interest bonds and \$42,534,656 in capital appreciation bonds).

Simi Valley School Financing Authority

In June 2007, the Simi Valley School Financing Authority issued \$95,675,000 principal amount of the 2007 General Obligation Revenue Bonds. The bonds mature through August 1, 2027, with interest rates from 3.70 to 5.00 percent. Proceeds from the sale of the bonds were used to purchase a portion of the General Obligation Bonds, Election of 2004, Series B and Series C and pay costs of issuance of the revenue bonds. At June 30, 2012, the principal balance outstanding was \$92,275,000.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2011	Additions/ Accreted Interest	Redeemed and Refunded	Bonds Outstanding June 30, 2012
Current Interest							
August 6, 1998	2018	5.55-6.65%	\$ 5,385,000	\$ 1,335,000	\$ -	\$ 485,000	\$ 850,000
January 12, 2004	2019	5.00%	16,150,000	7,195,000	-	1,010,000	6,185,000
May 12, 2004	2029	1.60-5.06%	59,055,000	4,740,000	-	925,000	3,815,000
November 30, 2005	2018	3.10-4.54%	39,505,000	625,000	-	-	625,000
October 4, 2007	2025	4.00-5.00%	10,920,000	10,920,000	-	100,000	10,820,000
Financing Authority							
June 27, 2007	2028	3.70-5.00%	95,675,000	92,990,000	-	715,000	92,275,000
Capital Appreciation							
August 6, 1998	2017	6.75-6.80%	746,757	1,711,108	151,923	-	1,863,031
May 12, 2004	2029	5.92%	944,969	1,654,856	104,949	-	1,759,805
November 30, 2005	2019	4.56-4.60%	494,199	818,097	68,224	-	886,321
October 4, 2007	2033	4.63-4.79%	34,080,619	40,129,864	2,404,792	-	42,534,656
				<u>\$ 162,118,925</u>	<u>\$ 2,729,888</u>	<u>\$ 3,235,000</u>	<u>\$ 161,613,813</u>

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Debt Service Requirements to Maturity

Interest due is payable semi-annually. The principal, with respect to the bonds, is payable upon maturity or upon redemption in whole or in part at the corporate trust office of the paying agent. The bonds are issued as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof. The bonds are subject to redemption prior to maturity. The bonds and related interest will be paid by the Bond Interest and Redemption Fund and the Financing Authority Debt Service Fund using local revenues.

The District's bonds mature through 2033 as follows:

Year Ending June 30,	Current Interest Bonds		Capital Appreciation Bonds		Total
	Principal	Interest	Principal	Future Accreted Interest	
2013	\$ 2,815,000	\$ 1,054,949	\$ -	\$ 2,274,382	\$ 6,144,331
2014	3,105,000	897,667	199,553	2,519,020	6,721,240
2015	3,255,000	746,007	491,322	2,649,632	7,141,961
2016	1,880,000	629,419	455,566	2,759,077	5,724,062
2017	1,000,000	554,844	429,896	2,866,028	4,850,768
2018-2022	5,515,000	1,891,537	1,173,015	15,673,687	24,253,239
2023-2027	4,725,000	375,125	2,867,202	19,618,500	27,585,827
2028-2032	-	-	33,694,629	14,462,676	48,157,305
2033	-	-	7,732,630	428,185	8,160,815
Total	\$ 22,295,000	\$ 6,149,548	\$ 47,043,813	\$ 63,251,187	\$ 138,739,548

The Financing Authority's bonds mature through 2028 as follows:

Year Ending June 30,	Current Interest Bonds		
	Principal	Interest	Total
2013	\$ 910,000	\$ 4,588,725	\$ 5,498,725
2014	985,000	4,543,625	5,528,625
2015	1,035,000	4,493,125	5,528,125
2016	3,050,000	4,385,000	7,435,000
2017	3,740,000	4,221,250	7,961,250
2018-2022	25,635,000	17,847,625	43,482,625
2023-2027	45,890,000	8,939,250	54,829,250
2028	11,030,000	275,750	11,305,750
Total	\$ 92,275,000	\$ 49,294,350	\$ 141,569,350

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

General Obligation Bond Premiums

The 2004 Refunding, Series 2004 A, Series 2004 B, Series 2004 C, and the 2007 Revenue General Obligation Bonds were issued at premiums of \$1,005,884, \$1,919,125, \$1,068,072, \$1,358,833, and \$4,861,479, respectively. The premiums will be amortized in the government-wide financial statements over the life of the debt issues. Due to the refunding of the Series 2004 B and Series 2004 C noted previously, \$1,731,793 was expensed during 2007-2008. The remaining unamortized premiums for the District-issued general obligation bonds total \$1,815,985 at June 30, 2012. The remaining unamortized premium for the Financing Authority's general obligation bonds was \$3,703,984 at June 30, 2012.

Certificates of Participation

The District entered into a long-term equipment lease on August 1, 1992, with the Ventura County School's Public Facilities Financing Corporation, (the Corporation). The Corporation is a separate entity, which was formed for the sole purpose of acquiring equipment and then leasing such equipment to the District.

The Corporation's funds for acquiring the equipment were generated by the issuance of \$15,310,000 of Certificates of Participation (COPs). (Refunding and Capital Improvement Projects, Series 1998). COPs are long-term obligations instruments, which are tax exempt and are therefore, issued at interest rates below current market levels for taxable investments.

Lease payments are required to be made by the District under the lease on or before the 25th of the month preceding each lease payment date for use and possession of the facilities for the period commencing on February 1, 1998, and terminating August 1, 2022. Interest rates vary from 3.75 to 5.15 percent. The certificates of participation will be paid by the COP Facilities Fund using local revenues.

The certificates mature through 2023 as follows:

Year Ending June 30,	Principal	Interest to Maturity	Total
2013	\$ 560,000	\$ 543,760	\$ 1,103,760
2014	605,000	515,218	1,120,218
2015	655,000	484,348	1,139,348
2016	705,000	449,792	1,154,792
2017	770,000	411,073	1,181,073
2018-2022	5,735,000	1,288,473	7,023,473
2023	1,710,000	44,887	1,754,887
Total	<u>\$ 10,740,000</u>	<u>\$ 3,737,551</u>	<u>\$ 14,477,551</u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2012, amounted to \$645,672. Accumulated vacation will be paid by the fund for which the employee worked.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2012, was \$1,142,708, and contributions made by the District during the year were \$525,455. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$70,521 and \$(62,472), respectively, which resulted in an increase to the net OPEB obligation of \$625,302. As of June 30, 2012, the net OPEB obligation was \$2,035,724. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Nonspendable:					
Revolving cash	\$ 85,305	\$ -	\$ -	\$ 700	\$ 86,005
Stores inventories	297,363	-	-	65,961	363,324
Prepaid expenditures	481,308	-	-	-	481,308
Total Nonspendable	<u>863,976</u>	<u>-</u>	<u>-</u>	<u>66,661</u>	<u>930,637</u>
Restricted					
Legally restricted programs	3,194,748	-	-	1,698,773	4,893,521
Capital projects	-	82,363,428	1,367,961	11,364,426	95,095,815
Debt services	-	-	-	8,648,302	8,648,302
Total Restricted	<u>3,194,748</u>	<u>82,363,428</u>	<u>1,367,961</u>	<u>21,711,501</u>	<u>108,637,638</u>
Committed					
Adult education program	-	-	-	4,072,761	4,072,761
Deferred maintenance program	-	-	-	384,706	384,706
Total Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,457,467</u>	<u>4,457,467</u>
Unassigned					
Economic uncertainties	4,535,553	-	-	-	4,535,553
Remaining unassigned	12,036,078	-	-	-	12,036,078
Total Unassigned	<u>16,571,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,571,631</u>
Total	<u>\$ 20,630,355</u>	<u>\$ 82,363,428</u>	<u>\$ 1,367,961</u>	<u>\$ 26,235,629</u>	<u>\$ 130,597,373</u>

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 11- POSTEMPLOYMENT HEALTH CARE PLAN AND OPEB OBLIGATION

Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Simi Valley Unified School District. The Plan provides medical insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 149 retirees currently receiving benefits and 1,544 active Plan members. Separate financial statements are not prepared for the Plan.

Contribution Information

The contribution requirements of the District are established and may be amended by the District, and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2011-2012, the District contributed \$525,455 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 1,142,708
Interest on net OPEB obligation	70,521
Adjustment to annual required contribution	<u>(62,472)</u>
Annual OPEB cost (expense)	1,150,757
Contributions made	<u>(525,455)</u>
Increase in net OPEB obligation	625,302
Net OPEB obligation, beginning of year	<u>1,410,422</u>
Net OPEB obligation, end of year	<u><u>\$ 2,035,724</u></u>

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
2010	\$ 789,684	\$ 443,683	56.18%	\$ 764,109
2011	1,147,068	500,755	43.66%	1,410,422
2012	1,150,757	525,455	45.66%	2,035,724

Funded Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
June 13, 2011	\$ -	\$ 12,002,559	\$ 12,002,559	0%	\$ 150,031,987	8%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 12 - RISK MANAGEMENT

Medical

As part of the benefits package the District offers a fully funded benefits package. Certificated and management employees may choose to enroll in the District's own self-insured plans. All other employees may enroll in a HMO. The District's plans cover medical, dental, vision, and prescription claims. The District operates a Self-Insurance Fund (an Internal Service Fund) to account for and finance its self-insured risk of loss. Under this program, the Self-Insurance Fund provides coverage up to an individual lifetime maximum of \$1 million for certain benefits, as described in the plan document paid to each person covered under the plan. The District purchases commercial insurance for claims in excess of \$150,000 per year. Settled claims have exceeded this commercial coverage within the past three fiscal years.

All funds with payroll costs participate in the program and make payments to the Medical Self-Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve. The claims liability of \$2,029,652 reported in the fund at June 30, 2012, is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability, including incurred but not reported amounts in fiscal years 2012 and 2011 are reported in this note.

Workers' Compensation

The District is exposed to various risks of loss related to injuries to employees. During fiscal year June 30, 2012, the District operated a Workers' Compensation Self-Insurance Fund (an Internal Service Fund) to account for and finance its uninsured risks of loss. The District purchases excess insurance coverage self-insured workers' compensation program with a \$500,000 Self-Insured Retention (SIR) and a statutory limit per occurrence for employer's liability. Settled claims have not exceeded coverage provided by the Southern California Schools Risk Management JPAs in any of the past three fiscal years.

Funding of the Internal Service Fund is based on estimates of the amounts needed to pay prior and current year claims. The claims liability of \$6,811,419 reported in the fund at June 30, 2012, is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Claims Liabilities

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

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses.

The following represents the changes in approximate aggregate liabilities for the District from July 1, 2010 to June 30, 2012:

	Workers' Compensation	Medical	Total
Liability Balance, July 1, 2010	\$ 6,514,836	\$ 1,770,884	\$ 8,285,720
Claims and changes in estimates	2,104,590	13,456,511	15,561,101
Claims payments	1,912,774	13,197,743	15,110,517
Liability Balance, June 30, 2011	<u>6,706,652</u>	<u>2,029,652</u>	<u>8,736,304</u>
Claims and changes in estimates	2,475,969	13,370,747	15,846,716
Claims payments	2,225,519	13,629,515	15,855,034
Liability Balance, June 30, 2012	<u>\$ 6,957,102</u>	<u>\$ 1,770,884</u>	<u>\$ 8,727,986</u>
Assets available to pay claims at June 30, 2012	<u>\$ 8,638,718</u>	<u>\$ 2,382,802</u>	<u>\$ 11,021,520</u>

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

The District contributes to CalSTRS; a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-2012, was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2012, 2011, and 2010, were \$5,890,167, \$5,906,134, and \$5,992,506, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to CalPERS; a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011-2012 was 10.923 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2012, 2011, and 2010, were \$2,639,917, \$2,600,760, and \$2,349,249, respectively, and equal 100 percent of the required contributions for each year.

Social Security

As established by Federal law, all public sector employees who are not members of their employers' existing system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. Part-time employees hired prior to November 1, 1997, buy an alternative retirement plan with Zahoric Company, Inc. New employees hired subsequent to that date are enrolled in social security.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$3,648,112 (4.855 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS) no contributions were made to CalPERS for the year ended June 30, 2012. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2012.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2012.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Construction Commitments

As of June 30, 2012, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECTS	Remaining Construction Commitment	Expected Date of Completion
Elementary Schools:		
Atherwood Elementary School	\$ 5,798	July 31, 2012
Berylwood Elementary School	41,048	December 31, 2012
Crestview Elementary School	23,028	July 31, 2012
Garden Grove Elementary School	5,460	June 30, 2013
Hollow Hills Elementary School	330,238	August 30, 2012
Katherine Elementary School	820	July 31, 2012
Knolls Elementary School	10,818	July 31, 2012
Madera Elementary School	23,028	July 31, 2012
Mountain View Elementary School	383,763	April 30, 2013
Park View Elementary School	26,615	July 30, 2012
Santa Susana Elementary School	10,114	July 31, 2012
Simi Valley Elementary School	33,672	December 31, 2014
Sycamore Elementary School	42,753	July 31, 2012
Vista Elementary School	121,874	December 31, 2013
White Oak Elementary School	169,553	December 31, 2013
Wood Ranch Elementary School	34,985	April 30, 2013
Middle Schools:		
Hillside Middle School	2,020	July 31, 2012
Sinaloa Middle School	1,500,952	August 31, 2012
Valley View Middle School	190,110	June 30, 2013
High Schools:		
Royal High School	278,389	September 30, 2012
Santa Susana High School	868,726	October 31, 2012
Simi Valley High School	41,485	July 31, 2012
Apollo Continuation School	4,050	July 31, 2012
Others:		
Adult Education	1,137,774	December 31, 2012
Transportation	24,554	July 31, 2012
Education Services Building	110,543	August 31, 2014
Undesignated	48,399	June 30, 2015
Total	<u>\$ 5,470,569</u>	

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Ventura County Schools Self-Funding Authority (VCSSFA) public entity risk pool. The District pays an annual premium to the VCSSFA for property liability coverage. The District also belongs to the York Risk Services Group (YRSG) and the Ventura County Fast Action School Transit Authority (VCFAST) joint powers authorities (JPAs). The relationship between the District, the pool and the JPAs is such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2012, the District made payments of \$1,151,178, \$217,812, and \$3,169, to VCSSFA, YRSG, and VCFAST, respectively, for services received.

NOTE 16 - SUBSEQUENT EVENTS

The District issued \$9,915,000 of Tax and Revenue Anticipation Notes dated July 2, 2012. The notes mature on March 1, 2013, and have an interest rate of 2.00 percent. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the fiscal agent each month beginning December 2012, until 100 percent of principal and interest due is on account in February 2013.

NOTE 17 - FISCAL ISSUES RELATING TO BUDGET REDUCTIONS

The State of California continues to suffer the effects of a recessionary economy. California school districts are reliant on the State of California to appropriate the funding necessary to continue the level of educational services expected by the State constituency. With the implementation of education trailer bill Senate Bill 70 (Chapter 7, Statutes of 2011), 39 percent of current year funding has now been deferred to a subsequent period, creating significant cash flow management issues for districts in addition to requiring substantial budget reductions, ultimately impacting the ability of California school districts to meet their goals for educational services.

REQUIRED SUPPLEMENTARY INFORMATION

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	Original	Final		Positive
				(Negative)
				Final to Actual
REVENUES				
Revenue limit sources	\$ 100,879,964	\$ 99,951,356	\$ 99,867,791	\$ (83,565)
Federal sources	6,045,825	10,527,030	10,265,128	(261,902)
Other State sources	23,970,691	20,476,971	24,680,350	4,203,379
Other local sources	10,614,002	12,567,118	13,799,096	1,231,978
Total Revenues ¹	141,510,482	143,522,475	148,612,365	5,089,890
EXPENDITURES				
Current				
Certificated salaries	67,254,055	70,956,902	71,007,645	(50,743)
Classified salaries	24,779,087	25,124,507	24,913,047	211,460
Employee benefits	37,571,747	41,064,557	40,798,300	266,257
Books and supplies	4,592,835	4,304,082	3,919,008	385,074
Services and operating expenditures	10,604,103	12,282,139	11,929,827	352,312
Other outgo	123,401	178,682	(145,739)	324,421
Capital outlay	206,111	614,780	460,578	154,202
Debt service - principal	-	-	188,349	(188,349)
Total Expenditures ¹	145,131,339	154,525,649	153,071,015	1,454,634
Excess (Deficiency) of Revenues Over Expenditures	(3,620,857)	(11,003,174)	(4,458,650)	6,544,524
Other Financing Sources (Uses)				
Transfers in	750,000	57,431	-	(57,431)
Transfers out	(4,753,364)	(1,350,000)	(762,211)	587,789
Net Financing Sources (Uses)	(4,003,364)	(1,292,569)	(762,211)	530,358
NET CHANGE IN FUND				
BALANCES	(7,624,221)	(12,295,743)	(5,220,861)	7,074,882
Fund Balance - Beginning	25,851,216	25,851,216	25,851,216	-
Fund Balance - Ending	\$ 18,226,995	\$ 13,555,473	\$ 20,630,355	\$ 7,074,882

¹ On behalf payments of \$3,648,112 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2012**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
August 7, 2006	\$ -	\$ 8,950,578	\$ 8,950,578	0%	\$ 112,016,980	8%
May 4, 2009	-	8,950,578	8,950,578	0%	112,016,980	8%
June 13, 2011	-	12,002,559	12,002,559	0%	150,031,987	8%

SUPPLEMENTARY INFORMATION

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Adult Education - Basic Grants to States Cluster:			
Adult Basic Education - ABE and ESL Services	84.002A	14508	\$ 101,059
Adult Basic Education - Adult Secondary	84.002	13978	49,089
Adult Basic Education - English Literacy and Civics Education	84.002A	14109	53,042
Total Adult Education - Basic Grants to States Cluster			<u>203,190</u>
Education Jobs Funds	84.410	25192	3,845,881
No Child Left Behind of 2001 (NCLB)			
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14329	1,516,210
Improving Teacher Quality State Grants Cluster:			
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	271,430
Title II, Part A - Administrator Training	84.367	14344	3,117
Total Improving Teacher Quality State Grants Cluster			<u>274,547</u>
Title II, Part D - Enhancing Education Through Technology, Formula Grants	84.318	14334	5,040
English Language Acquisition Grants Cluster:			
Title III - Immigrant Education Program	84.365	14346	199
Title III - Limited English Proficiency Program	84.365	10084	195,053
Total English Language Acquisition Grants Cluster			<u>195,252</u>
Title X - McKinney-Vento Homeless Children Assistance Grants	84.196	14332	25,793
Passed through Ventura County Special Education Local Plan Area:			
Individuals with Disabilities Education Act (IDEA):			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	3,167,627
Preschool Local Entitlement, Part B, Section 611	84.027A	13682	232,297
Preschool Grants, Part B, Section 619	84.173	13430	87,202
Local Assistance, Part B, Section 611, Private School ISPs	84.027	10115	21,166
Total Special Education Cluster			<u>3,508,292</u>
Total U.S. Department of Education			<u>9,574,205</u>

See accompanying note to supplementary information.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education (CDE):			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13524	\$ 2,207,981
Basic Breakfast	10.553	13525	12,834
Especially Needy Breakfast	10.553	13526	307,530
Meal Supplement	10.555	13396	25,659
Food Distribution	10.555	13524	322,569
Total Child Nutrition Cluster			<u>2,876,573</u>
Total U.S. Department of Agriculture			<u>2,876,573</u>
 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medicaid Cluster:			
Medi-Cal Billing Option	93.778	10013	971,189
Medi-Cal Administrative Activities	93.778	10060	169,781
Total Medicaid Cluster			<u>1,140,970</u>
Total U.S. Department of Health and Human Services			<u>1,140,970</u>
Total Federal Programs			<u>\$ 13,591,748</u>

See accompanying note to supplementary information.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2012

ORGANIZATION

The Simi Valley Unified School District was established in 1936, and consists of an area comprising approximately 90 square miles. The District operates twenty-one elementary schools, three middle schools, three high schools, one continuation high school, one alternative education program, and one adult school. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Janice DiFatta	President	2012
Rob Collins	Clerk	2012
Debbie Sandland	Member	2012
Jeanne Davis	Member	2014
Arleigh Kidd	Member	2014

ADMINISTRATION

Kathryn Scroggin, Ed.D.	Superintendent
Don Gaudio	Assistant Superintendent, Personnel Services
Lowell Schultze	Associate Superintendent, Business and Facilities

See accompanying note to supplementary information.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2012**

	Final Report	
	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	1,373	1,374
First through third	3,921	3,924
Fourth through sixth	4,165	4,159
Seventh and eighth	2,739	2,734
Home and hospital	5	6
Special education	346	347
Total Elementary	<u>12,549</u>	<u>12,544</u>
SECONDARY		
Regular classes	5,597	5,543
Continuation education	214	213
Home and hospital	8	8
Special education	299	295
Total Secondary	<u>6,118</u>	<u>6,059</u>
Total K-12	<u><u>18,667</u></u>	<u><u>18,603</u></u>

See accompanying note to supplementary information.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2012

Grade Level	1982-83	Reduced 1982-83	1986-87	Reduced 1986-87	2011-12	Number of Days		Status
	Actual Minutes	Actual Minutes	Requirement Minutes	Requirement Minutes	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	34,710	32,330	36,000	33,531	43,385	180	N/A	Complied
Grades 1 - 3	44,535	41,481	50,400	46,944				
Grade 1					54,602	180	N/A	Complied
Grade 2					54,602	180	N/A	Complied
Grade 3					54,602	180	N/A	Complied
Grades 4 - 6	51,655	48,113	54,000	50,297				
Grade 4					54,602	180	N/A	Complied
Grade 5					54,602	180	N/A	Complied
Grade 6					54,602	180	N/A	Complied
Grades 7 - 8	63,190	58,857	54,000	50,297				
Grade 7					63,588	180	N/A	Complied
Grade 8					63,588	180	N/A	Complied
Grades 9 - 12	51,655	48,113	64,800	60,357				
Grade 9					67,305	180	N/A	Complied
Grade 10					67,305	180	N/A	Complied
Grade 11					67,305	180	N/A	Complied
Grade 12					67,305	180	N/A	Complied

See accompanying note to supplementary information.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2012.

See accompanying note to supplementary information.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

	(Budget) 2013 ¹	2012	2011	2010
GENERAL FUND				
Revenues	\$ 126,583,477	\$ 148,612,365	\$ 147,264,512	\$ 152,813,247
Other sources and transfers in	627,000	-	991,832	886,322
Total Revenues and Other Sources	127,210,477	148,612,365	148,256,344	153,699,569
Expenditures	138,160,065	153,071,015	148,959,687	147,854,110
Other uses and transfers out	-	762,211	-	6,752,022
Total Expenditures and Other Uses	138,160,065	153,833,226	148,959,687	154,606,132
INCREASE (DECREASE) IN FUND BALANCE	\$ (10,949,588)	\$ (5,220,861)	\$ (703,343)	\$ (906,563)
ENDING FUND BALANCE	\$ 9,680,767	\$ 20,630,355	\$ 25,851,216	\$ 26,554,559
AVAILABLE RESERVES ²	\$ 6,676,130	\$ 16,571,631	\$ 12,597,439	\$ 12,635,641
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	4.83%	11.03%	8.64%	8.35%
LONG-TERM OBLIGATIONS	N/A	\$ 180,555,178	\$ 182,175,359	\$ 181,519,542
K-12 AVERAGE DAILY ATTENDANCE AT P-2	18,320	18,667	19,010	19,480

The General Fund balance has decreased by \$5,924,204 over the past two years. The fiscal year 2012-2013 budget projects a further decrease of \$10,949,588 (53.08 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in each of the past three years and anticipates incurring an operating deficit during the 2012-2013 fiscal year. Total long-term obligations have decreased by \$964,364 over the past two years.

Average daily attendance has decreased by 813 over the past two years. Additional decline of 347 ADA is anticipated during fiscal year 2012-2013.

¹ Budget 2013 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainty contained within the General Fund.

³ On behalf payments of \$3,648,112, \$3,154,911, and \$3,206,281, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2012, 2011, and 2010, respectively.

See accompanying note to supplementary information.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**BUILDING SUB-FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012**

	2004 General Obligation Bond	1998 General Obligation Bond	Surplus Property	Total Building Fund
ASSETS				
Deposits and investments	\$ 78,544,447	\$ 1,033,864	\$ 166,169	\$ 79,744,480
Receivables	519,954	2,115	39,920	561,989
Due from other funds	2,649,485	-	148,873	2,798,358
Total Assets	\$ 81,713,886	\$ 1,035,979	\$ 354,962	\$ 83,104,827
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 444,650	\$ 433	\$ 138,931	\$ 584,014
Due to other funds	2,052	-	155,333	157,385
Total Liabilities	446,702	433	294,264	741,399
Fund Balances:				
Restricted	81,267,184	1,035,546	60,698	82,363,428
Total Fund Balances	81,267,184	1,035,546	60,698	82,363,428
Total Liabilities and Fund Balances	\$ 81,713,886	\$ 1,035,979	\$ 354,962	\$ 83,104,827

See accompanying note to supplementary information.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**BUILDING SUB-FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012**

	2004	1998		Total
	General	General		Building
	Obligation	Obligation	Surplus	Fund
	Bond	Bond	Property	
REVENUES				
Other local sources	\$ 463,652	\$ 6,691	\$ 749,429	\$ 1,219,772
Total Revenues	<u>463,652</u>	<u>6,691</u>	<u>749,429</u>	<u>1,219,772</u>
EXPENDITURES				
Current				
Plant services	-	-	93,725	93,725
Facility acquisition and construction	10,606,306	10,287	114,651	10,731,244
Debt service				
Principal	-	-	401,321	401,321
Total Expenditures	<u>10,606,306</u>	<u>10,287</u>	<u>609,697</u>	<u>11,226,290</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(10,142,654)</u>	<u>(3,596)</u>	<u>139,732</u>	<u>(10,006,518)</u>
OTHER FINANCING SOURCES				
(USES)				
Transfers in	15,993,882	-	-	15,993,882
Other sources	-	-	17,331	17,331
Transfers out	-	-	(361,047)	(361,047)
Net Financing				
Sources (Uses)	<u>15,993,882</u>	<u>-</u>	<u>(343,716)</u>	<u>15,650,166</u>
NET CHANGE IN FUND BALANCES	5,851,228	(3,596)	(203,984)	5,643,648
Fund Balances - Beginning	75,415,956	1,039,142	264,682	76,719,780
Fund Balances - Ending	<u>\$ 81,267,184</u>	<u>\$ 1,035,546</u>	<u>\$ 60,698</u>	<u>\$ 82,363,428</u>

See accompanying note to supplementary information.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012**

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
ASSETS				
Deposits and investments	\$ 3,608,633	\$ 1,580,823	\$ 631,935	\$ 5,099,731
Receivables	748,748	468,046	1,469	19,554
Due from other funds	40,036	-	-	3,000,218
Stores inventories	-	65,961	-	-
Total Assets	\$ 4,397,417	\$ 2,114,830	\$ 633,404	\$ 8,119,503
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 320,357	\$ 350,096	\$ 189,701	\$ 8,487
Due to other funds	3,599	-	58,997	10,191
Total Liabilities	323,956	350,096	248,698	18,678
Fund Balances:				
Nonspendable	700	65,961	-	-
Restricted	-	1,698,773	-	8,100,825
Committed	4,072,761	-	384,706	-
Total Fund Balances	4,073,461	1,764,734	384,706	8,100,825
Total Liabilities and Fund Balances	\$ 4,397,417	\$ 2,114,830	\$ 633,404	\$ 8,119,503

See accompanying note to supplementary information.

COP Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Financing Authority Debt Service Fund	Non-Major Governmental Funds
\$ 1,430,196	\$ 1,108,807	\$ 8,609,003	\$ 25,612	\$ 22,094,740
-	2,289	13,687	-	1,253,793
-	762,211	-	-	3,802,465
-	-	-	-	65,961
<u>\$ 1,430,196</u>	<u>\$ 1,873,307</u>	<u>\$ 8,622,690</u>	<u>\$ 25,612</u>	<u>\$ 27,216,959</u>
\$ -	\$ 26,235	\$ -	\$ -	\$ 894,876
-	13,667	-	-	86,454
-	39,902	-	-	981,330
-	-	-	-	66,661
1,430,196	1,833,405	8,622,690	25,612	21,711,501
-	-	-	-	4,457,467
<u>1,430,196</u>	<u>1,833,405</u>	<u>8,622,690</u>	<u>25,612</u>	<u>26,235,629</u>
<u>\$ 1,430,196</u>	<u>\$ 1,873,307</u>	<u>\$ 8,622,690</u>	<u>\$ 25,612</u>	<u>\$ 27,216,959</u>

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012**

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
REVENUES				
Federal sources	\$ 203,190	\$ 2,876,573	\$ -	\$ -
Other State sources	3,923,388	207,125	829,272	-
Other local sources	1,869,640	2,228,367	2,765	339,913
Total Revenues	5,996,218	5,312,065	832,037	339,913
EXPENDITURES				
Current				
Instruction	3,496,002	-	-	-
Instruction-related activities:				
Supervision of instruction	243,533	-	-	-
School site administration	1,887,146	-	-	-
Pupil services:				
Food services	-	4,643,721	-	-
All other pupil services	240,582	-	-	-
Administration:				
All other administration	54,313	189,566	-	10,191
Plant services	758,821	428,429	58,997	45,832
Facility acquisition and construction	15,059	7,220	454,648	579,636
Community services	112,402	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	6,807,858	5,268,936	513,645	635,659
Excess (Deficiency) of Revenues				
Over Expenditures	(811,640)	43,129	318,392	(295,746)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net Financing Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	(811,640)	43,129	318,392	(295,746)
Fund Balances - Beginning	4,885,101	1,721,605	66,314	8,396,571
Fund Balances - Ending	\$ 4,073,461	\$ 1,764,734	\$ 384,706	\$ 8,100,825

See accompanying note to supplementary information.

COP Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Financing Authority Debt Service Fund	Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 3,079,763
-	-	103,268	-	5,063,053
-	9,027	9,261,314	19,621	13,730,647
-	9,027	9,364,582	19,621	21,873,463
-	-	-	-	3,496,002
-	-	-	-	243,533
-	-	-	-	1,887,146
-	-	-	-	4,643,721
-	-	-	-	240,582
-	-	-	-	254,070
-	-	-	-	1,292,079
-	273,015	-	-	1,329,578
-	-	-	-	112,402
515,000	-	3,235,000	-	3,750,000
570,098	-	5,823,211	-	6,393,309
1,085,098	273,015	9,058,211	-	23,642,422
(1,085,098)	(263,988)	306,371	19,621	(1,768,959)
456,667	1,123,258	-	-	1,579,925
-	(456,667)	-	-	(456,667)
456,667	666,591	-	-	1,123,258
(628,431)	402,603	306,371	19,621	(645,701)
2,058,627	1,430,802	8,316,319	5,991	26,881,330
\$ 1,430,196	\$ 1,833,405	\$ 8,622,690	\$ 25,612	\$ 26,235,629

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**GENERAL FUND SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND
CHANGES OF FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2012**

(Amounts in thousands, except for
Base Revenue Limit)

	Actual Results for the Years					
	2011-2012		2010-2011		2009-2010	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	\$ 10,265	6.9	\$ 10,046	6.8	\$ 9,832	6.4
State and local revenue included in revenue limit	99,868	67.2	102,596	69.7	99,068	64.8
Other State revenue	24,680	16.6	22,253	15.1	30,312	19.8
Other local revenue	4,417	3.0	3,080	2.1	3,531	2.3
Tuition and transfers in	9,382	6.3	9,290	6.3	10,070	6.6
Total Revenues	148,612	100.0	147,265	100.0	152,813	100.0
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	71,008	47.8	71,058	48.3	72,225	47.3
Classified salaries	24,913	16.8	24,199	16.4	23,878	15.6
Employee benefits	40,798	27.5	37,097	25.2	37,129	24.3
Total Salaries and Benefits	136,719	92.0	132,354	89.9	133,232	87.2
Books and supplies	3,919	2.6	4,738	3.2	3,518	2.3
Contracts and operating expenses	11,930	8.0	10,739	7.3	10,492	6.9
Other outgo	(145)	(0.1)	(34)	(0.0)	115	0.1
Capital outlay	461	0.3	830	0.6	347	0.2
Debt service	188	0.1	333	0.2	149	0.1
Total Expenditures	153,071	103.0	148,960	101.2	147,853	96.8
Excess of Revenues Over (Under) Expenditures	(4,459)	(3.0)	(1,695)	(1.2)	4,960	3.2
OTHER FINANCING SOURCES (USES)	(762)	(0.5)	991	0.7	(5,866)	(3.8)
INCREASE IN FUND BALANCE	(5,221)	(3.5)	(704)	(0.5)	(906)	(0.6)
FUND BALANCE, BEGINNING	25,851		26,555		27,461	
FUND BALANCE, ENDING	\$ 20,630		\$ 25,851		\$ 26,555	

See accompanying note to supplementary information.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2012

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Medi-Cal Billing Option Funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balance:		\$ 13,344,891
Medi-Cal Billing Option	93.778	246,857
Total Schedule of Expenditures of Federal Awards		<u>\$ 13,591,748</u>

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by *Education Code* Section 46201.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2012

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Building Sub-Funds – Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance

The Building Sub-Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance is included to provide information regarding the individual sub-funds that have been included in the Building Fund column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.

Non-Major Governmental Funds – Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balance is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.

General Fund Selected Financial Information

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the General Fund for the past three years.

INDEPENDENT AUDITORS' REPORTS



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board
Simi Valley Unified School District
Simi Valley, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Simi Valley Unified School District as of and for the year ended June 30, 2012, which collectively comprise Simi Valley Unified School District's basic financial statements and have issued our report thereon dated December 3, 2012. 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.

As discussed in the Notes to the basic financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding requirements of the State of California to the K-12 educational community.

Internal Control Over Financial Reporting

Management of Simi Valley Unified School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Simi Valley Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Simi Valley Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Simi Valley Unified School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Simi Valley Unified School District in a separate letter dated December 3, 2012.

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 3, 2012



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board
Simi Valley Unified School District
Simi Valley, California

Compliance

We have audited Simi Valley Unified School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Simi Valley Unified School District's major Federal programs for the year ended June 30, 2012. Simi Valley Unified School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Simi Valley Unified School District's management. Our responsibility is to express an opinion on Simi Valley Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Simi Valley Unified School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Simi Valley Unified School District's compliance with those requirements.

In our opinion, Simi Valley Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Simi Valley Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Simi Valley Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Simi Valley Unified School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 3, 2012



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
 Simi Valley Unified School District
 Simi Valley, California

We have audited Simi Valley Unified School District's compliance with the requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2011-2012*, applicable to Simi Valley Unified School District's government programs as noted below for the year ended June 30, 2012. Compliance with the requirements referred to above is the responsibility of Simi Valley Unified School District's management. Our responsibility is to express an opinion on Simi Valley Unified School District's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-2012*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Simi Valley Unified School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Simi Valley Unified School District's compliance with those requirements.

In our opinion, Simi Valley Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2012.

In connection with the audit referred to above, we selected and tested transactions and records to determine the Simi Valley Unified School District's compliance with the State laws and regulations applicable to the following items:

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten continuance	3	Yes
Independent study	23	Yes
Continuation education	10	Yes

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Instructional Materials:		
General requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Juvenile Court Schools	8	Not Applicable
Exclusion of Pupils - Pertussis Immunization	2	Yes
Class Size Reduction Program (including in charter schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
Districts or charter schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	3	Not Applicable
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	4	Not Applicable

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 3, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.410</u>	<u>Education Jobs Funds</u>
<u>10.553 and 10.555</u>	<u>Child Nutrition Cluster</u>
<u>93.778</u>	<u>Medicaid Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 407,752</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditors' report issued on compliance for programs:	<u>Unqualified</u>
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SIMI VALLEY UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

There were no audit findings reported in the prior year's schedule of financial statement findings.



Governing Board
Simi Valley Unified School District
Simi Valley, California

In planning and performing our audit of the financial statements Simi Valley Unified School District (the District), for the year ended June 30, 2012, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent a condition noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 3, 2012, on the financial statements of Simi Valley Unified School District.

2011-2012 OBSERVATIONS AND RECOMMENDATIONS

ASSOCIATED STUDENT BODY ACCOUNTS (ASB)

SIMI VALLEY HIGH SCHOOL

Student Store Cash Collections

Observation

Auditor noted no reconciliation process in place for Student Store cash collected deposits made to the ASB Bookkeeper.

Recommendation

Procedures should be established for daily reconciliation of cash registers collections and total sales receipts. Scheduled deposits should be made with a cash count form and register tape used to accompany all deposits.

SITE CASH

MOUNTAIN VIEW ELEMENTARY SCHOOL

Receipting

Observation

Funds received on behalf of the District for ESB related purposes are not receipted. Although ESB monies collected are verified and sent to the District accompanied by a three-part deposit transmittal, no type of receipt or back-up documentation is given to the depositor of cash collected.

Recommendation

Personnel responsible for receiving funds on behalf of the District and making deposits should issue a receipt for all funds received in order to properly record and account for all funds received and to ensure deposits are intact.

Safeguarding of Assets

Observation

The auditor noted blank checks for the revolving checking account are not safeguarded properly. Checks are kept in a binder in the custodian's unlocked desk when not in use.

Recommendation

The custodian should safeguard the blank checks, as they are assets of the school site and the District. Although the checks are not-pre-signed, improperly safeguarded checks can lead to stolen checks that can potentially be forged or lead to sensitive bank account information being obtained.

LINCOLN ELEMENTARY SCHOOL

Pre-Numbered Receipts

Observation

The site does not use pre-numbered receipts for the collection of funds collected on behalf of the District that are subsequently forwarded to the District Office for deposit.

Recommendation

The District should establish site cash receipting procedures and issue each site a receipt book to document the receipt of funds. One of the multiple copies of the receipts should then be forwarded to the District Office with the money for deposit.

Receipting

Observation

Pre-numbered receipts are not being written to record the receipt of funds for various cash collections, such as donations, lost books, and field trips at the elementary school site.

Recommendation

The District should instruct all sites to complete pre-numbered receipts for all cash collections. This will strengthen the controls over cash collections and provide an audit trail for site cash collections.

PRIOR YEAR OBSERVATIONS AND STATUS

ARROYO ELEMENTARY SCHOOL

Observation

Funds received on behalf of the district are only receipted from the District issued three-part receipt book only by request. Deposit totals are verified by another school site employee, but are not reconciled to any supporting documentation such as receipt copies.

Recommendation

Personnel responsible for receiving funds on behalf of the District and making deposits should issue a receipt for all funds received in order to properly record and account for all funds received, ensure deposits are intact, and relieve the personnel of any liability related with the fund deposits.

Current Status

Implemented

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

Vavrinek, Trine, Day & Co. LLP
Rancho Cucamonga, California
December 3, 2012