



**SIMI VALLEY UNIFIED
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2007

SIMI VALLEY UNIFIED SCHOOL DISTRICT
OF VENTURA COUNTY
SIMI VALLEY, CALIFORNIA
JUNE 30, 2007

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Janice DiFatta	President	2008
Rob Collins	Clerk	2008
Jeanne Davis	Member	2010
Eric Lundstrom	Member	2010
Debbie Sandland	Member	2008

ADMINISTRATION

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

SIMI VALLEY UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2007

FINANCIAL SECTION

Independent Auditors' Report	2
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	18
Statement of Activities	19
Fund Financial Statements	
Governmental Funds - Balance Sheet	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	21
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balance	22
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the District-Wide Statement of Activities	23
Proprietary Funds - Statement of Net Assets	25
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Net Assets	26
Proprietary Funds - Statement of Cash Flows	27
Fiduciary Funds - Statement of Net Assets	28
Notes to Financial Statements	29

REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Budgetary Comparison Schedule	56
--	----

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	58
Local Education Agency Organization Structure	60
Schedule of Average Daily Attendance	61
Schedule of Instructional Time	62
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	63
Schedule of Financial Trends and Analysis	64
Excess Sick Leave	65
Combining Statements – Building Sub-Funds	
Combining Balance Sheet	66
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	67
Note to Supplementary Information	68

SUPPLEMENTARY INFORMATION - UNAUDITED

Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet - Unaudited	71
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Unaudited	72
General Fund Selected Financial Information - Unaudited	73
Note to Supplementary Information - Unaudited	74

SIMI VALLEY UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2007

INDEPENDENT AUDITORS' REPORTS

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	76
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	78
Report on State Compliance	80

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results	83
Financial Statement Findings	84
Federal Awards Findings and Questioned Costs	85
State Awards Findings and Questioned Costs	86
Summary Schedule of Prior Audit Findings	87
Management Letter	88

FINANCIAL SECTION

This page left blank intentionally.



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, 2007, 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 2006-07* 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 above 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2007, 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 conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 17 and budgetary comparison information on page 56, are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The unaudited supplementary information listed in the table of contents, including the Combining Statements - Non-Major Governmental Funds and the General Fund Selected Financial Information, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion.

Varinit, Tai, Day & Co., LLP

Rancho Cucamonga, California
November 12, 2007

**Assistant Superintendent
Business Services**
Lowell Schultze



Board of Education
Rob Collins
Jeanne Davis
Janice DiFatta
Eric Lundstrom
Debbie Sandland

This section of Simi Valley Unified School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2007, with comparative information from 2006. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the 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* are Agency funds, which 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, 2007

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.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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

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

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or 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 separate *Statements of Fiduciary Net Assets*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2007

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$144.3 million for the fiscal year ended June 30, 2007. Of this amount, \$15.5 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	
	2007	2006
Assets		
Current and other assets	\$ 149.7	\$ 150.1
Capital assets, net	145.2	130.6
Total Assets	<u>295.0</u>	<u>280.7</u>
Liabilities		
Current liabilities	20.5	21.6
Long-term obligations	130.1	133.2
Total Liabilities	<u>150.7</u>	<u>154.8</u>
Net Assets		
Invested in capital assets, net of related debt	93.8	74.6
Restricted	35.0	35.2
Unrestricted	15.5	16.1
Total Net Assets	<u>\$ 144.3</u>	<u>\$ 125.9</u>

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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 19. 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)

	Governmental Activities	
	2007	2006
Revenues		
Program revenues:		
Charges for services	\$ 5.5	\$ 5.0
Operating grants and contributions	42.9	36.2
Capital grants and contributions	2.4	0.1
General revenues:		
State revenue limit sources	85.8	78.0
Property taxes	47.6	45.1
Other general revenues	13.1	12.0
Total Revenues	<u>197.3</u>	<u>176.4</u>
Expenses		
Instruction related	131.7	122.7
Student support services	13.7	12.4
Administration	5.4	3.6
Plant services	18.6	16.7
Other	9.4	7.8
Total Expenses	<u>178.9</u>	<u>163.2</u>
Change in Net Assets	<u>\$ 18.4</u>	<u>\$ 13.2</u>

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2007

Governmental Activities

As reported in the *Statement of Activities* on page 19, the cost of all of our governmental activities this year was \$128.1 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$47.6 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 \$45.3 million. We paid for the remaining "public benefit" portion of our governmental activities with \$98.9 million in taxes, State funds and with other revenues, like interest and general entitlements.

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)

	2007		2006	
	Net Cost of Services	Total Cost of Services	Net Cost of Services	Total Cost of Services
Instruction	\$ 83.8	\$ 118.3	\$ 84.3	\$ 110.1
School administration	10.3	13.5	9.6	12.6
Pupil transportation	1.2	2.9	1.1	2.6
Food services	0.4	4.5	-	4.1
Other student support services	2.8	6.3	3.1	5.7
Administration	4.2	5.4	2.7	3.6
Plant services	16.5	18.6	13.8	16.7
Other	8.9	9.4	7.3	7.8
Total	\$ 128.1	\$ 178.9	\$ 121.9	\$ 163.2

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$130.0 million, which is a decrease of \$1.5 million from last year.

	Balances and Activity			
	July 1, 2006	Revenues	Expenditures	June 30, 2007
General Fund	\$ 11,449,719	\$164,934,570	\$155,540,358	\$ 20,843,931
Building Fund	87,099,604	5,342,412	14,926,349	77,515,667
County School Facilities Fund	3,525,422	2,431,561	3,853,065	2,103,918
Non-Major Governmental Funds	29,038,058	27,409,646	27,302,381	29,145,323
Totals	\$131,112,803	\$200,118,189	\$201,622,153	\$129,608,839

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 increased from \$11.4 million to \$20.8 million. This increase is due to:
 - One time special project funds were received late in the year and will be carried forward to the new fiscal year. Prior year carry forwards were \$4.9 million, compared to \$10 million at 2006-07 year end. This means that about \$5.1 million more will be carried forward this year than last year. In addition, interest earnings were more than double prior year at about \$1.2 million. Unencumbered balances and other carry forwards were about \$0.4 million higher than the historical \$2 million. Amounts reserved for student housing during Bond construction, utilities expense holding amounts, and Government Accounting Standards Board (GASB) 45 funds were able to be released at year-end, for an additional \$0.7 million.
2. One of the District's three Special Revenue Funds (Adult Education) generated more revenue than operating expense, resulting in a net increase from the prior year of approximately \$594,500. Two of the Special Revenue Funds (Cafeteria Fund and the Deferred Maintenance Fund) had a net decrease of \$5,800, and \$200,600, respectively.
3. The District is progressing with building projects and modernization. The General Obligation Bond projects at various school sites expended approximately \$13.2 million and Modernization expenditures were almost \$13.8 million from the School Facilities fund.
4. Developer Fees were used for various modernization projects, with expenditures of \$0.71 million. However, revenues exceeded expenditures, resulting in an increase over the prior year of \$0.54 million.
5. The Bond Interest and Redemption Fund ending balance decreased from the prior year by approximately \$0.64 million.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2007

General Fund Budgetary Highlights

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 2007, 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 56.)

- Revenue revisions made to the 2006-07 Budget were due to funding changes announced by the Governor after the budget adoption, including a slight increase in equalization aid which was more than offset by a reduction in funding of hourly programs.
- Federal revenues decreased by about \$287,000 from the prior year with funding for No Child Left Behind and Special Education falling well below actual expenditures.
- State revenues increased for adjustments in funding for class-size reduction, lottery, and instructional materials. One-time revenues provided opportunities for various school sites in the areas of music, art, physical education and other discretionary purposes. A large payment for prior year mandated cost claims reimbursement was also received by the District.
- Local revenues reflect adjustments for changes in interest earnings rates and school gift funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had a net \$145.2 million in a broad range of capital assets, including land, buildings, vehicles, construction in progress, and furniture and equipment. This amount represents a net increase (including additions, deductions and depreciation) of \$14.6 million, or 11.2%, from last year.

Table 4

(Amounts in millions)

	Governmental Activities	
	2007	2006
Land	\$ 17.3	\$ 17.3
Construction in progress	14.0	16.2
Buildings and improvements, site improvements, net	109.3	92.4
Furniture and equipment, net	4.7	4.7
Totals	\$ 145.2	\$ 130.6

This year's net additions of \$14.6 million (including depreciation) included Bond projects at three sites, vehicles and school buses, paving, re-roofing, restroom remodels, HVAC, and classroom equipment such as computers.

A number of capital projects were completed during the 2006-07 year. The District budgeted multi-year bond projects to be approximately \$32.6 million to start the 2007-08 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, 2007

Long-Term Obligations

At the end of this year, the District had \$133.5 million in long-term obligations. This debt consisted of:

Table 5

(Amounts in millions)

	Governmental Activities	
	2007	2006
General obligation bonds	\$ 116.0	\$ 118.9
General obligation bond premiums	3.4	3.6
Certificates of participation	12.9	13.3
Capital leases	0.4	0.8
Accumulated vacation, net	0.8	0.5
Total	\$ 133.5	\$ 137.1

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 \$116.0 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 2006-2007 ARE NOTED BELOW:

All schools with the exception of Monte Vista and Apollo increased their Academic Progress Index (API) scores. Increases ranged from a growth of 4 to 21 points. All schools made their AYP targets, with the exception of Hillside Middle School who made 20 of 21 targets.

Two middle schools have API scores over 800 points. Of the three comprehensive high schools, one school is over 800 and the other two schools have scores in the high 700's.

Royal High School, Apollo Continuation High School and the Simi Valley Adult School all had successful Western Association of Schools and College (WASC) accreditation reports, each resulting in six year terms.

The District met three Annual Measurable Achievement Objectives (AMAO) as measured by the Title III Accountability Report. For AMAO's number 1 and number 2, the District ranks within the top 25% in the State.

Valley View Middle School was awarded the status of California Distinguished School.

Intervention programs have expanded at some of the middle schools and high schools. Each high school implemented an "at risk" component for 9th grade students.

The Second Step Program was implemented at each middle school. The Safe School Ambassadors Program was implemented at each high school.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

As reported in the prior years, the District received notification of eligibility for modernization funding at all schools with the exception of Wood Ranch Elementary School. Numerous site plans are being developed and applications for modernization funding are being processed and approved. The State Allocation Board approved the modernization applications for Phase I projects for Simi High School and Royal High School. Funding has been received for both of these schools. Upon year-end closing, these projects were complete. No known issues are pending regarding these successful school projects. Final OPSC audits are pending and will commence upon notification. In addition, work is completed at Crestview, Knolls and Santa Susana Elementary Schools. There are three projects in process at Madera, Simi High School Phase II and Valley View Middle School.

The Facilities Department completed the California Environmental Quality Act (CEQA) exemptions for bond projects.

All district facilities completed inspections in accordance with the Williams Settlement, as directed by the Board of Education.

The Surplus Property Advisory Committee was organized and completed the consideration of two district properties. A sale of the Equestrian Park vacant land property was successfully negotiated with the Rancho Simi Recreation and Park District for \$875,000.

The District has received approval of an updated five-year Deferred Maintenance Plan.

Approximately 2,500 employees were trained in the detection, awareness and prevention of sexual and physical abuse within the organization, using the Armatus training program module on-line.

The Purchasing Department has improved purchase order turn around time due to streamlined procedures and additional staff training in the areas of purchasing, warehouse, print shop, media and microfilm distribution.

The District continues to participate in the State-wide California Student Information System (CSIS). State electronic reporting capabilities have been upgraded, as the State adds more functionality to the program. District assessment programs (Edusoft and Escore) have expanded and improved, giving teachers a wider variety of data to better assess student performance.

The Information Technology (IT) department continues to replace the District's outdated phone and intercom systems. This multi-year project is moving ahead rapidly and will provide new and enhanced communications throughout the District.

A new wireless clock project will replace all aging clock systems throughout the District. Several schools have been fully upgraded and many have received partial replacements.

Upgrades to the District network infrastructure have improved technology services on many levels. Donations of computers from Countrywide have provided hundreds of newer computers for student use. Replacement of all student computers will be complete this year, after a two year replacement period. Many of these computers were seven or eight years old. Network switch replacement is expected to be completed this year.

The conversion from Novell to Microsoft is progressing. IT is currently working to create the project plan. This project is an upgrade of the District servers and the centralization of equipment at the District Office. It also includes the implementation of storage area network equipment to house the Districts growing data requirements.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

Last year the District upgraded its ISP connection to the County Office. This has increased the speed of internet access. The IT department is working on an RFP to upgrade the internal District network connections from all sites to the District Office. This expansion will utilize either high speed wireless or fiber to create an increase in network speeds. This upgrade will allow for a variety of services to increase student performance and enhance technology in the classroom.

IT is implementing a Microsoft Exchange email system for better control over our communication. The County's outdated mail server is fast becoming insufficient for our needs. This project will include software to handle the new regulations for email retention and recovery.

During the fiscal year, over 5,000 work orders were requested and processed by the IT department.

The District continues to provide excellent filtering for virus protection, email spam and internet content. This effort provides safe and efficient access to information and communication. This year the District added a new web content filtering system called 8e6 as part of a County-wide project. Anti-virus and spy ware protection has been upgraded with Trend Microsystems. E-mail spam filtering was improved through a new product called Barracuda.

All elementary schools have been upgraded with new network switches. Both Royal and Simi High Schools have had network upgrades through the 2004 approved Bond Projects. Seven school phone and intercom systems have been replaced in an ongoing joint Bond/District upgrade project. Clock systems are being upgraded with new wireless systems and four sites have been completed.

Through generous donations from Countrywide, the Information Systems Department has replaced 2,000 older computers with newer and better machines.

The District converted over to the Ventura County Superintendent of Schools E.S.C.A.P.E. financial system in 2001-2002. On-line site look-up of financial data and on-line site requisition ordering has been partially implemented. District staff continues to explore the possibility of full site access. Currently, the District is working with County Personnel to implement all personnel leave accounting onto the E.S.C.A.P.E. system. On-going training and upgrades of the system continue to be a priority. A "new" upgraded web based E.S.C.A.P.E. system has been delayed from prior expectations. Revised implementation timelines are pending from the County Superintendent of School's Office.

During the fiscal year, approximately 14,776 work orders were requested and processed by the Maintenance and Operations Department.

The Transportation Department received over \$106,000 in Grant money for Low Emission School Bus purchases. In the future, as many as eight buses may qualify for this program and provide additional funds to help pay for their replacement cost.

The Transportation Department converted to Ultra Low Sulfur Diesel fuel for all diesel powered equipment. This fuel is less polluting to the environment.

The Transportation Department continues to maintain their "Satisfactory" School Bus Inspection rating by the California Highway Patrol. This is the highest rating possible.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

The District continues to participate in the California School Board Associations (CSBA) Tax Revenue Anticipation Notes (TRANS) issuance to alleviate cash flow needs. The current year issuance was in the amount of \$5.0 million.

Risk Management of the Workers Compensation Self-Insured Fund realized a significant drop in outstanding liabilities in the amount of \$609,596. All estimated liabilities are currently fully funded.

The Food Services Department continues to add to and update the Nutrition Systems data base on products and nutrition. This information is available in the school cafeteria and on the district web site. This year, we are including information on Trans Fat.

Food Services Administration completed installation, training and implementation of the School House Software Point of Sale system for all High Schools. We now have stronger internal controls and improved site accountability for all financial transactions of the Food Services operation.

The Food Services Department began a new project that will monitor the temperature of the freezers and refrigerators. The system monitors, provides complete records and alerts staff and maintenance when there is a problem. This system will offer the missing security during summer and winter breaks. Monitoring the temperature and providing security for food storage helps meet HACCP requirements.

Work began on a much needed renovation of the Central Kitchen freezer and refrigerator. Due to new Health Department requirements, this upgrade has become a major project.

The Food Services Department continues efforts to train and certify workers in food safety. Their last training session was held during the March In-Service. An additional 60 employees were certified.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2007-2008 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Student attendance ratio to remain at approximately 95%.
2. No Equalization funding.
3. Revenue limit income increased by a COLA of \$252 per ADA, or 4.53%.
4. Revenue limit income deficit factor continues at "0".
5. Core Academic and Grades 2-6 At Risk Supplemental Instruction Hours capped at 5%.
6. Estimated Lottery receipts at \$137.00 per Annual ADA (\$119.00 Unrestricted; \$19.00 Restricted).
7. PERS Reduction rate of 9.306% with a partial PERS Reduction Buyout of 14.5%.
8. Interest earnings are estimated at 4.9% and California CPI is estimated at 2.9%.
9. Developer fee collections are based on estimated new housing units to be constructed as well as historical data.
10. Federal income will remain flat or decline for most programs with population of qualified students remaining stable.
11. K-3 Class Size Reduction is budgeted at \$1,071 for full day program; 9th Grade Class Size Reduction also has a slight increase to \$213 per participating pupil.
12. State income will decrease by 17.5% from prior year 2nd interim, due in part to a combination of COLA, declining enrollment, and one-time revenues received in 2006-07. However, much of the one-time money was received late in the year and will be carried forward into the budget year at 1st Interim and will be available for one-time expenditures.
13. Hourly program deficits applied for Core Academic, At Risk Grades 2-6 and Grades 2-9 Retained.

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. However, Step and Column increases are included in the Budget at an estimated \$1.6 million, less estimated attrition savings of \$.7 million, for a net estimate of \$.9 million.

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Grades kindergarten through third	20:1	5,961
Grades four through six	31:1	4,583
Grades seven through eight	31:1	3,160
Grades nine through twelve	31:1	6,619

SIMI VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

New items specifically addressed in the budget are:

The State's budget basically reflects "status quo" as compared to last year. The Legislature was able to adopt a budget that fully funded Proposition 98 as well as the on-going programs in art and music, secondary counselors, and physical education which were new last year. There is little new money added to the District budget. The District's Board of Education approved budget mandates and augmentations (designated as priorities "A" and "B") which include:

- Restore School Site allocations \$275,200
- IT Telecommunications Tech \$47,200
- IT Computer Tech \$47,200
- Implementation of Instructional Aides Salary Study \$175,000
- Special Education additional teachers/psychologists \$270,000
- ESL Teacher on Special Assignment \$70,000
- Increase Substitute Teacher pay by \$5/day \$50,000
- Network Software upgrades \$350,000
- Maintenance Truck replacement \$128,000
- Capital purchases \$200,000
- Technology upgrades \$200,000
- Oracle Data Base for Student System \$110,000
- Maintenance Vehicles and Tools \$55,000
- School Site Clock replacement \$250,000
- School Site Telephone System replacement \$500,000

The District has been voter approved for \$145 million in General Obligation Bonds. The first General Obligation Bond issuance was on June 3, 2004 in the amount of \$59,999,969. A second issuance of \$39,999,199 was made in December 2005. The final issuance of \$45,000,832 will occur this fall. Proceeds are being used for various modernization projects throughout the District. Approved project spending is closely monitored by an Independent Citizen's Oversight Committee.

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 Associate 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, 2007

	<u>Governmental Activities</u>
ASSETS	
Deposits and investments	\$ 129,094,549
Receivables	18,605,698
Stores inventory	351,711
Deferred cost of issuance	1,696,920
Capital assets	
Land and construction in progress	31,234,920
Other capital assets	213,303,519
Less: accumulated depreciation	<u>(99,316,553)</u>
Capital assets, net of accumulated depreciation	<u>145,221,886</u>
Total Assets	<u><u>294,970,764</u></u>
LIABILITIES	
Accounts payable	7,322,789
Interest payable	2,717,668
Deferred revenue	342,320
Claims liability	6,786,842
Current portion of long-term obligations	3,374,785
Noncurrent portion of long-term obligations	<u>130,133,962</u>
Total Liabilities	<u>150,678,366</u>
NET ASSETS	
Invested in capital assets, net of related debt	93,822,942
Restricted for	
Debt service - Bond Interest and Redemption	5,600,509
Capital projects - Other	15,072,279
Educational programs - Restricted	8,684,074
Other activities	5,611,383
Unrestricted	<u>15,501,211</u>
Total Net Assets	<u><u>\$ 144,292,398</u></u>

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

This page left blank intentionally.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$112,916,385	\$ 1,669,555	\$ 26,965,752	\$ 2,431,562	\$ (81,849,516)
Instruction related activities:					
Supervision of instruction	4,052,341	120,717	2,259,074	-	(1,672,550)
Instructional library, media, and technology	1,237,950	9,777	1,011,452	-	(216,721)
School site administration	13,525,646	317,665	2,927,965	-	(10,280,016)
Pupil services:					
Home-to-school transportation	2,888,999	116,027	1,540,869	-	(1,232,103)
Food services	4,511,222	2,386,135	1,679,072	-	(446,015)
All other pupil services	6,349,085	130,828	3,402,619	-	(2,815,638)
Administration:					
Data processing	1,421,116	-	-	-	(1,421,116)
All other administration	4,021,649	171,582	1,063,257	-	(2,786,810)
Plant services	18,625,708	444,566	1,636,689	-	(16,544,453)
Ancillary services	1,306,618	53,774	148,227	-	(1,104,617)
Community services	502,381	52,863	137,696	-	(311,822)
Enterprise services	6,408	520	1,319	-	(4,569)
Interest on long-term obligations	7,287,866	-	-	-	(7,287,866)
Other (outgo)	256,225	6,930	79,345	-	(169,950)
Total Governmental Activities	\$178,909,599	\$ 5,480,939	\$ 42,853,336	\$ 2,431,562	(128,143,762)
General revenues and subventions:					
Property taxes, levied for general purposes					39,406,362
Property taxes, levied for debt service					8,218,741
Federal and State aid not restricted to specific purposes					85,785,689
Interest and investment earnings					6,042,054
Interagency revenues					11,368
Miscellaneous					6,153,598
Special and extraordinary items					888,411
Subtotal, General Revenues					146,506,223
Changes in Net Assets					18,362,461
Net Assets - Beginning					125,929,937
Net Assets - Ending					\$ 144,292,398

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

SIMI VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2007

	General Fund	Building Fund	County School Facilities Fund
ASSETS			
Deposits and investments	\$ 10,603,441	\$ 77,166,005	\$ 1,433,847
Receivables	12,724,163	1,837,742	2,290,145
Due from other funds	591,799	4,100,000	630
Stores inventory	295,979	-	-
Total Assets	\$ 24,215,382	\$ 83,103,747	\$ 3,724,622
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 2,612,430	\$ 1,146,262	\$ 1,619,998
Due to other funds	427,727	4,441,818	706
Deferred revenue	331,294	-	-
Total Liabilities	3,371,451	5,588,080	1,620,704
FUND BALANCES			
Reserved for:			
Stores inventory	295,979	-	-
Other reservations	8,682,527	-	-
Unreserved			
Designated	6,512,132	77,515,667	2,103,918
Undesignated, reported in:			
General Fund	5,353,293	-	-
Special revenue funds	-	-	-
Debt service funds	-	-	-
Capital projects funds	-	-	-
Total Fund Balances	20,843,931	77,515,667	2,103,918
Total Liabilities and Fund Balances	\$ 24,215,382	\$ 83,103,747	\$ 3,724,622

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 29,325,794	\$ 118,529,087
1,270,847	18,122,897
74,502	4,766,931
55,732	351,711
<u>\$ 30,726,875</u>	<u>\$ 141,770,626</u>
\$ 1,474,820	\$ 6,853,510
95,706	4,965,957
11,026	342,320
<u>1,581,552</u>	<u>12,161,787</u>
55,732	351,711
87,752	8,770,279
16,634,556	102,766,273
-	5,353,293
1,972,429	1,972,429
8,318,177	8,318,177
2,076,677	2,076,677
<u>29,145,323</u>	<u>129,608,839</u>
<u>\$ 30,726,875</u>	<u>\$ 141,770,626</u>

This page left blank intentionally.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2007

Total Fund Balance - Governmental Funds		\$129,608,839
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	\$244,538,439	
Accumulated depreciation is	<u>(99,316,553)</u>	145,221,886
Expenditures relating to issuance of debt of next fiscal year were recognized in modified accrual basis, but should not be recognized in accrual basis.		1,696,920
In governmental funds, unmatured interest in 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.		(2,717,668)
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.		3,991,168
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	(116,001,337)	
Premium on bonds issued	(3,356,163)	
Certificates of participation payable	(12,945,000)	
Compensated absences (vacations)	(793,298)	
Capital leases payable	<u>(412,949)</u>	<u>(133,508,747)</u>
Total Net Assets - Governmental Activities		<u><u>\$144,292,398</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, 2007

	General Fund	Building Fund	County School Facilities Fund
REVENUES			
Revenue limit sources	\$ 114,015,169	\$ -	\$ -
Federal sources	6,411,039	-	-
Other State sources	30,636,706	-	2,265,780
Other local sources	13,672,191	4,454,025	165,781
Total Revenues	<u>164,735,105</u>	<u>4,454,025</u>	<u>2,431,561</u>
EXPENDITURES			
Current			
Instruction	104,971,834	-	-
Instruction related activities:			
Supervision of instruction	3,509,979	-	-
Instructional library, media, and technology	1,194,193	-	-
School site administration	11,284,043	-	-
Pupil services:			
Home-to-school transportation	2,909,558	-	-
Food services	31,671	-	-
All other pupil services	5,821,517	-	-
Administration:			
Data processing	1,462,335	-	-
All other administration	5,538,677	-	-
Plant services	15,529,658	153,531	-
Facility acquisition and construction	234,388	13,713,353	3,853,065
Ancillary services	1,264,228	-	-
Community services	355,475	-	-
Other outgo	256,225	-	-
Enterprise services	1,577	-	-
Debt service			
Principal	-	-	-
Interest and other	225,000	-	-
Total Expenditures	<u>154,590,358</u>	<u>13,866,884</u>	<u>3,853,065</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>10,144,747</u>	<u>(9,412,859)</u>	<u>(1,421,504)</u>
Other Financing Sources (Uses)			
Transfers in	199,465	-	-
Other sources	-	888,387	-
Transfers out	(950,000)	(1,059,465)	-
Net Financing Sources (Uses)	<u>(750,535)</u>	<u>(171,078)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>9,394,212</u>	<u>(9,583,937)</u>	<u>(1,421,504)</u>
Fund Balance - Beginning	<u>11,449,719</u>	<u>87,099,604</u>	<u>3,525,422</u>
Fund Balance - Ending	<u>\$ 20,843,931</u>	<u>\$ 77,515,667</u>	<u>\$ 2,103,918</u>

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 6,833,816	\$ 120,848,985
2,332,195	8,743,234
1,317,253	34,219,739
14,192,105	32,484,102
<u>24,675,369</u>	<u>196,296,060</u>
4,390,600	109,362,434
406,026	3,916,005
-	1,194,193
1,827,564	13,111,607
-	2,909,558
4,323,141	4,354,812
318,981	6,140,498
-	1,462,335
323,338	5,862,015
1,712,571	17,395,760
2,878,252	20,679,058
-	1,264,228
148,720	504,195
-	256,225
128	1,705
3,868,910	3,868,910
6,689,565	6,914,565
<u>26,887,796</u>	<u>199,198,103</u>
<u>(2,212,427)</u>	<u>(2,902,043)</u>
2,224,585	2,424,050
509,692	1,398,079
(414,585)	(2,424,050)
<u>2,319,692</u>	<u>1,398,079</u>
107,265	(1,503,964)
29,038,058	131,112,803
<u>\$ 29,145,323</u>	<u>\$ 129,608,839</u>

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 FOR THE YEAR ENDED JUNE 30, 2007

Total Net Change in Fund Balances - Governmental Funds \$ (1,503,964)

**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 expenses in the statement of activities.

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

Capital outlays	\$ 20,601,234	
Depreciation expense	<u>(5,577,716)</u>	15,023,518

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.

1,984,137

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.

(422,079)

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 earned was greater than the amounts used by:

(214,760)

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	197,612	
Amortization of debt discount	(35,860)	
Amortization of cost of issuance	<u>(53,952)</u>	
Combined adjustment		107,800

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term obligations in the statement of net assets and does not affect the statement of activities.

3,145,000

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, 2007

Repayment of COP principal is an expenditure in the governmental funds, but it reduces long-term obligations in the statement of net assets and does not affect the statement of activities.	\$ 340,000
Repayment of capital leases is an expenditure in the governmental funds, but it reduces long-term obligations in the statement of net assets and does not affect the statement of activities.	383,910
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.	(242,869)
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 two factors.	(238,232)
Change in Net Assets of Governmental Activities	<u><u>\$ 18,362,461</u></u>

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

SIMI VALLEY UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF NET ASSETS FOR THE YEAR ENDED JUNE 30, 2007

	Governmental Activities		
	Internal Service Funds		
	Workers' Compensation	Medical	Total
ASSETS			
Current Assets			
Deposits and investments	\$ 6,074,884	\$ 4,490,578	\$ 10,565,462
Receivables	410,991	71,810	482,801
Due from other funds	352,246	349	352,595
Total Current Assets	<u>6,838,121</u>	<u>4,562,737</u>	<u>11,400,858</u>
LIABILITIES			
Current Liabilities			
Accounts payable	69,949	399,330	469,279
Claim liabilities (Note 12)	5,281,298	1,505,544	6,786,842
Due to other funds	63,038	90,531	153,569
Total Current Liabilities	<u>5,414,285</u>	<u>1,995,405</u>	<u>7,409,690</u>
NET ASSETS			
Unrestricted	1,423,836	2,567,332	3,991,168
Total Net Assets	<u>\$ 1,423,836</u>	<u>\$ 2,567,332</u>	<u>\$ 3,991,168</u>

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, 2007

	Governmental Activities		
	Internal Service Funds		
	Workers' Compensation	Medical	Total
OPERATING REVENUES			
Local and intermediate sources	\$ 3,479,773	\$ 12,542,785	\$ 16,022,558
Total Operating Revenues	<u>3,479,773</u>	<u>12,542,785</u>	<u>16,022,558</u>
OPERATING EXPENSES			
Payroll costs	213,668	101,135	314,803
Professional and contract services	1,571,672	12,538,817	14,110,489
Supplies and materials	428	29	457
Total Operating Expenses	<u>1,785,768</u>	<u>12,639,981</u>	<u>14,425,749</u>
Operating Income	<u>1,694,005</u>	<u>(97,196)</u>	<u>1,596,809</u>
NONOPERATING REVENUES			
Interest income	235,041	152,287	387,328
Total Nonoperating Revenues	<u>235,041</u>	<u>152,287</u>	<u>387,328</u>
Change in Net Assets	<u>1,929,046</u>	<u>55,091</u>	<u>1,984,137</u>
Total Net Assets - Beginning	<u>(505,210)</u>	<u>2,512,241</u>	<u>2,007,031</u>
Total Net Assets - Ending	<u>\$ 1,423,836</u>	<u>\$ 2,567,332</u>	<u>\$ 3,991,168</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, 2007

	Governmental Activities		
	Internal Service Funds		
	Workers' Compensation	Medical	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from assessments made to other funds	\$ 3,156,439	\$ 12,527,689	\$ 15,684,128
Cash payments to employees for services	(213,668)	(101,135)	(314,803)
Cash payments for insurance claims	(2,118,604)	(12,601,681)	(14,720,285)
Cash payments for insurance	-	187,324	187,324
Cash payments to suppliers for goods and services	-	(927)	(927)
Net Cash Provided by Operating Activities	824,167	11,270	835,437
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	235,041	152,287	387,328
Net Cash Provided by Investing Activities	235,041	152,287	387,328
Net Increase in Cash and Cash Equivalents	1,059,208	163,557	1,222,765
Cash and Cash Equivalents - Beginning	5,015,676	4,327,021	9,342,697
Cash and Cash Equivalents - Ending	<u>\$ 6,074,884</u>	<u>\$ 4,490,578</u>	<u>\$ 10,565,462</u>
CASH USED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 1,694,005	\$ (97,196)	\$ 1,596,809
Changes in assets and liabilities:			
Receivables	28,912	(15,140)	13,772
Due from other fund	(352,246)	44	(352,202)
Accrued liabilities	59,995	134,285	194,280
Claims liability	(609,596)	-	(609,596)
Due to other fund	3,097	(10,723)	(7,626)
Net Cash Provided by Operating Activities	\$ 824,167	\$ 11,270	\$ 835,437

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

SIMI VALLEY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS STATEMENT OF NET ASSETS JUNE 30, 2007

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 1,539,286
Receivables	11,707
Stores inventory	<u>85,359</u>
Total Assets	<u><u>\$ 1,636,352</u></u>
LIABILITIES	
Accounts payable	\$ 301,827
Due to student groups	<u>1,334,525</u>
Total Liabilities	<u><u>\$ 1,636,352</u></u>

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

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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, 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 Simi Valley Unified School 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 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. The District has no component units.

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)
- Southern California Schools Risk Management Authority (SCSRMA)
- Ventura County Fast Action School Transit Authority (VCFASTA)

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.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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 accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of California.

Building Fund The Building Fund is used to account for the proceeds of bonds issued for capital improvements.

County School Facilities Fund The County School Facilities Fund is used primarily to account separately for State apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17010.10-17076.10).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains the following special revenue funds:

Adult Education Fund The Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.

Cafeteria Fund The Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeterias.

Deferred Maintenance Fund The Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.

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

Capital Facilities Fund The Capital Facilities Fund is used to account for resources received from developer impact fees for commercial and residential projects.

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 Capital Outlay Fund The Special Reserve Capital Outlay Fund is used to account for revenues received from the initial deposit from the redevelopment agency funds, sale of surplus property, and expenditures related to debt retirement.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Debt Service Funds The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term obligations principal, interest, and related costs. The District maintains the following debt service funds:

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used to account for the accumulation of resources for the payment of long-term obligations principal, interest, and related costs.

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 Funds:

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.

Fiduciary Funds Fiduciary Fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

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 financial statement of activities presents a comparison between direct expenses and program revenues for each governmental program. 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 is self-financing or draws from the general revenues of the District.

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, 2007

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 a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. 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 reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Proprietary Funds Proprietary Funds are accounted for using a 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, 2007

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, 2007, 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.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the General, Capital Projects and Debt Service Funds represent cash and cash equivalents required by Federal and State agencies to be set aside by the District for the purpose of satisfying certain requirements of the Federal, State programs, and debt service requirements.

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.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Stores Inventory

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.

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.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the capital assets of governmental funds.

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

Accumulated unpaid vacation benefits 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.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

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.

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 Balance Reserves and Designations

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance, that is available for appropriation in future periods. Fund balance reserves have been established for revolving cash accounts, stores inventories, prepaid expenditures (expenses), and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund balance designations have been established for economic uncertainties, and other purposes.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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 \$34,968,245 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 nonoperating 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.

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.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

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 July 2004, GASB issued GASBS No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement will require local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

This Statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2008. The District is in the process of determining the impact the implementation of this Statement will have on the government-wide statement of net assets and activities.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2007, are classified in the accompanying financial statements as follows:

Governmental activities	\$129,094,549
Fiduciary funds	1,539,286
Total Deposits and Investments	<u>\$130,633,835</u>

Deposits and investments as of June 30, 2007, consist of the following:

Cash on hand and in banks	\$ 1,555,474
Cash in revolving	182,905
Investments	128,895,456
Total Deposits and Investments	<u>\$130,633,835</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, 2007

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, 2007

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	Weighted Average Maturity
County Pool	\$127,250,537	300 days
Investment Agreement	1,454,834	15 years
Mutual Funds	621,953	N/A
Total	<u>\$129,327,324</u>	

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, 2007. 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, 2007, 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 of \$2,076,677 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, 2007

NOTE 3 - RECEIVABLES

Receivables at June 30, 2007, 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	Internal Service Funds
Federal Government					
Categorical aid	\$ 1,406,631	\$ -	\$ -	\$ 393,118	\$ -
State Government					
Apportionment	5,362,828	-	-	236,616	-
Categorical aid	1,953,345	-	-	-	-
Lottery	1,816,258	-	-	-	-
Other	-	-	2,265,780	5,290	-
Local Government					
Interest	421,016	958,239	24,365	310,718	115,586
Other Local Sources	1,764,085	879,503	-	325,105	367,215
Total	<u>\$ 12,724,163</u>	<u>\$ 1,837,742</u>	<u>\$ 2,290,145</u>	<u>\$ 1,270,847</u>	<u>\$ 482,801</u>

	Total Governmental Activities	Fiduciary Funds
Federal Government		
Categorical aid	\$ 1,799,749	\$ -
State Government		
Apportionment	5,599,444	-
Categorical aid	1,953,345	-
Lottery	1,816,258	-
Other	2,271,070	-
Local Government		
Interest	1,829,924	-
Other Local Sources	3,335,908	11,707
Total	<u>\$ 18,605,698</u>	<u>\$ 11,707</u>

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 17,254,066	\$ -	\$ -	\$ 17,254,066
Construction in progress	16,249,326	8,214,728	10,483,200	13,980,854
Total Capital Assets Not Being Depreciated	33,503,392	8,214,728	10,483,200	31,234,920
Capital Assets Being Depreciated				
Land improvements	17,215,897	3,705,305	1,483	20,919,719
Buildings and improvements	161,079,204	18,147,213	438,695	178,787,722
Furniture and equipment	8,668,345	798,079	105,509	9,360,915
Vehicles	4,101,625	219,109	85,571	4,235,163
Total Capital Assets Being Depreciated	191,065,071	22,869,706	631,258	213,303,519
Less Accumulated Depreciation				
Land improvements	8,650,994	871,579	-	9,522,573
Buildings and improvements	77,262,598	3,697,505	86,395	80,873,708
Furniture and equipment	4,837,757	821,302	42,809	5,616,250
Vehicles	3,196,667	187,330	79,975	3,304,022
Total Accumulated Depreciation	93,948,016	5,577,716	209,179	99,316,553
Governmental Activities Capital Assets, Net	<u>\$130,620,447</u>	<u>\$ 25,506,718</u>	<u>\$ 10,905,279</u>	<u>\$145,221,886</u>

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

Governmental Activities	
Instruction	\$ 3,685,755
Supervision of instruction	133,307
Instructional library, media, and technology	40,160
School site administration	441,755
Home-to-school transportation	98,168
Food services	146,694
All other pupil services	206,933
Data processing	49,084
All other administration	130,519
Plant services	586,218
Ancilliary services	42,390
Community services	16,733
Total Depreciation Expenses All Activities	<u>\$ 5,577,716</u>

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2007, 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	\$ -	\$ 341,818	\$ 706	\$ 95,706	\$ 153,569	\$ 591,799
Building Fund	-	4,100,000	-	-	-	4,100,000
County School Facilities Fund	630	-	-	-	-	630
Non-Major Governmental Funds	74,502	-	-	-	-	74,502
Proprietary Funds	352,595	-	-	-	-	352,595
Total	<u>\$ 427,727</u>	<u>\$4,441,818</u>	<u>\$ 706</u>	<u>\$ 95,706</u>	<u>\$ 153,569</u>	<u>\$5,119,526</u>

The 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.

Operating Transfers

Interfund transfers for the year ended June 30, 2007, consisted of the following:

Transfer To	Transfer From			Total
	General Fund	Building Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 199,465	\$ -	\$ 199,465
Non-Major Governmental Funds	950,000	860,000	414,585	2,224,585
Total	<u>\$ 950,000</u>	<u>\$ 1,059,465</u>	<u>\$ 414,585</u>	<u>\$ 2,424,050</u>

The General Fund transferred to the Deferred Maintenance Fund for the required match.	\$ 950,000
The Building Fund transferred to the General Fund to reimburse for capital expenditures.	199,465
The Building Fund transferred to the Special Reserve Fund Capital Outlay Fund to reimburse for capital expenditures.	860,000
The Special Reserve Capital Outlay Fund transferred to the COP Facilities Fund for the COP debt service payments.	414,585
Total	<u>\$ 2,424,050</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, 2007

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2007, consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Self- Insurance Fund	Total	Fiduciary Funds
Vendor payables	\$1,622,120	\$1,146,262	\$1,619,998	\$ 1,200,291	\$469,279	\$6,057,950	\$ 301,827
State apportionment	863,515	-	-	-	-	863,515	-
Salaries and benefits	115,872	-	-	272,206	-	388,078	-
Other	10,923	-	-	2,323	-	13,246	-
Total	<u>\$2,612,430</u>	<u>\$1,146,262</u>	<u>\$1,619,998</u>	<u>\$ 1,474,820</u>	<u>\$469,279</u>	<u>\$7,322,789</u>	<u>\$ 301,827</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2007, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 183,904	\$ -	\$ 183,904
State categorical aid	147,390	11,026	158,416
Total	<u>\$ 331,294</u>	<u>\$ 11,026</u>	<u>\$ 342,320</u>

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

On July 1, 2006, the District had outstanding Tax and Revenue Anticipation Notes in the amount of \$6,180,000, which matured on July 6, 2006. On July 1, 2006, the District issued \$5,000,000 Tax and Revenue Anticipation Notes bearing interest at 4.5 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on July 6, 2007. By May 31, 2007, 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.

Changes in the outstanding liabilities for the Tax and Revenue Anticipation Notes are as follows:

	Outstanding July 1, 2006	Additions	Deletions	Outstanding June 30, 2007
2006 - 4.00% TRANS	\$ 6,180,000	\$ -	\$ 6,180,000	\$ -
2007 - 4.50% TRANS	-	5,000,000	-	5,000,000
	<u>\$ 6,180,000</u>	<u>\$ 5,000,000</u>	<u>\$ 6,180,000</u>	<u>\$ 5,000,000</u>

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, 2006	Additions	Deductions	Balance June 30, 2007	Due in One Year
General obligation bonds	\$118,903,468	\$ 242,869	\$3,145,000	\$116,001,337	\$2,600,000
General obligation bond premiums	3,553,775	-	197,612	3,356,163	-
Certificates of participation	13,285,000	-	340,000	12,945,000	370,000
Capital leases	796,859	-	383,910	412,949	404,785
Accumulated vacation - net	578,538	214,760	-	793,298	-
	<u>\$137,117,640</u>	<u>\$ 457,629</u>	<u>\$4,066,522</u>	<u>\$133,508,747</u>	<u>\$3,374,785</u>

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

Bonded Debt

On August 6, 1998, the District issued general obligation bonds in the amount of \$6,131,757 to refund the 1989 Series C general obligation bonds. The refunding has resulted in a net savings in future principal and interest payments.

On January 12, 2004, the District issued general obligation refunding bonds in the amount of \$16,150,000 to refund portion of the February 1, 1996 general obligation bonds. The refunding has resulted in a net savings in future principal and interest payments.

On May 12, 2004, the District issued general obligation bonds, Series 2004 A in the amount of \$59,999,969. On November 30, 2004, the District issued general obligation bonds, Series 2005 B in the amount of \$39,999,199. The bonds were authorized at an election held on March 2, 2004, which authorized a total of \$145,000,000, principal amount of general obligation bonds to finance new construction and modernization of school facilities for the District.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2006	Additions/ Accreted Interest	Redeemed	Bonds Outstanding June 30, 2007
Current Interest							
August 6, 1998	2017	5.55-6.65%	\$5,385,000	\$ 3,330,000	\$ -	\$ 345,000	\$ 2,985,000
January 12, 2004	2016	5.00%	16,150,000	14,720,000	-	1,510,000	13,210,000
May 12, 2004	2029	1.60-5.06%	59,055,000	58,470,000	-	1,290,000	57,180,000
November 30, 2005	2030	3.10-4.54%	39,505,000	39,505,000	-	-	39,505,000
Capital Appreciation							
August 6, 1998	2017	6.75-6.80%	746,757	1,231,710	85,148	-	1,316,858
May 12, 2004	2029	5.92%	944,969	1,146,639	110,010	-	1,256,649
November 30, 2005	2018	4.56-4.60%	494,199	500,119	47,711	-	547,830
				<u>\$118,903,468</u>	<u>\$ 242,869</u>	<u>\$3,145,000</u>	<u>\$116,001,337</u>

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Debt Service Requirements to Maturity

Interest due is payable semi-annually on February 1 and August 1 of each year commencing February 1, 1999, for the 1998 issuance; August 1, 2004, for the 2004 issuance; and February 1, 2006, for the 2005 issuance. 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 issuable 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 using local revenues.

The bonds mature through 2029 as follows:

Year Ending June 30,	Current Interest Bonds		Capital Appreciation Bonds		Total
	Principal	Interest	Principal	Accreted Interest	
2008	\$ 2,600,000	\$ 5,587,058	\$ -	\$ 259,916	\$ 8,446,974
2009	2,940,000	5,450,871	-	278,202	8,669,073
2010	3,295,000	5,299,539	-	297,819	8,892,358
2011	2,200,000	5,160,817	-	318,868	7,679,685
2012	2,420,000	5,040,753	-	341,459	7,802,212
2013-2017	14,385,000	23,055,884	1,114,729	1,895,765	40,451,378
2018-2022	18,295,000	19,254,718	749,959	1,329,307	39,628,984
2023-2027	33,670,000	12,800,750	-	1,577,447	48,048,197
2028-2029	33,075,000	3,315,625	1,256,649	909,880	38,557,154
Total	<u>\$ 112,880,000</u>	<u>\$ 84,966,015</u>	<u>\$ 3,121,337</u>	<u>\$ 7,208,663</u>	<u>\$ 208,176,015</u>

General Obligation Bond Premiums

The 2004 Refunding, Series 2004 A and Series 2004 B, general obligation bonds were issued at premiums of \$1,005,884, \$1,919,125, and \$1,068,072, respectively. The premiums will be amortized in the government-wide financial statements over the life of the debt issues. The remaining unamortized premiums total \$3,356,163 at June 30, 2007.

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.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

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 5.150 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
2008	\$ 370,000	\$ 653,161	\$ 1,023,161
2009	400,000	635,636	1,035,636
2010	440,000	616,096	1,056,096
2011	480,000	594,236	1,074,236
2012	515,000	570,098	1,085,098
2013-2017	3,295,000	2,404,191	5,699,191
2018-2022	5,735,000	1,288,473	7,023,473
2023	1,710,000	44,887	1,754,887
Total	<u>\$ 12,945,000</u>	<u>\$ 6,806,778</u>	<u>\$ 19,751,778</u>

Capital Leases

The District's liability on lease agreements with options to purchase are summarized below:

	Energy Conservation
Balance, Beginning of Year	\$ 857,424
Payments	(423,933)
Balance, End of Year	<u>\$ 433,491</u>

The capital leases are paid by the Special Reserve Fund Capital Outlay Fund. The capital leases have minimum lease payments as follows:

Year Ending June 30,	Energy Conservation
2008	\$ 423,933
2009	9,558
Total	433,491
Less: Amount Representing Interest	20,542
Present Value of Minimum Lease Payments	<u>\$ 412,949</u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2007, amounted to \$793,298. Accumulated vacation will be paid by the fund for which the employee worked.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

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
Reserved					
Revolving cash	\$ 85,305	\$ -	\$ -	\$ 900	\$ 86,205
Stores inventory	295,979	-	-	55,732	351,711
Restricted programs	8,597,222	-	-	86,852	8,684,074
Total Reserved	8,978,506	-	-	143,484	9,121,990
Unreserved					
Designated					
Economic uncertainties	-	-	-	1,398,680	1,398,680
Capital projects	-	77,515,667	2,103,918	12,995,602	92,615,187
Other designation	6,512,132	-	-	2,240,274	8,752,406
Total Designated	6,512,132	77,515,667	2,103,918	16,634,556	102,766,273
Undesignated	5,353,293	-	-	12,367,283	17,720,576
Total Unreserved	11,865,425	77,515,667	2,103,918	29,001,839	120,486,849
Total	\$20,843,931	\$77,515,667	\$ 2,103,918	\$29,145,323	\$129,608,839

NOTE 11 - POSTEMPLOYMENT BENEFITS

The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District and meet eligibility requirements as outlined in the employment contracts. Currently, 175 retirees meet those eligibility requirements. The District contributes a predetermined amount per employee based on his or her employment category at retirement until age 65 or until the retiree is eligible for Medicare, whichever occurs first. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis, as premiums are paid. During the year, expenditures of \$269,832 were recognized for retirees' health care 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.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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 \$1,505,544 reported in the fund at June 30, 2007, 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 2007 and 2006 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, 2007, 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 \$750,000 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 \$5,281,298 reported in the fund at June 30, 2007, 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.

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 represent the changes in approximate aggregate liabilities for the District from July 1, 2005 to June 30, 2007:

	Workers' Compensation	Medical	Total
Liability Balance, July 1, 2005	\$ 5,404,542	\$ 2,245,696	\$ 7,650,238
Claims and changes in estimates	2,206,334	7,241,388	9,447,722
Claims payments	1,719,982	7,981,540	9,701,522
Liability Balance, June 30, 2006	5,890,894	1,505,544	7,396,438
Claims and changes in estimates	675,871	12,051,454	12,727,325
Claims payments	1,285,467	12,051,454	13,336,921
Liability Balance, June 30, 2007	\$ 5,281,298	\$ 1,505,544	\$ 6,786,842
Assets available to pay claims at June 30, 2007	\$ 6,838,121	\$ 4,562,737	\$ 11,400,858

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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 State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS).

STRS

Plan Description

The District contributes to the California State Teachers' Retirement System (STRS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. 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. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Blvd., Sacramento, CA 95826.

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 STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2006-2007, was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ending June 30, 2007, 2006, and 2005, were \$6,336,500, \$5,920,714, and \$5,747,415, respectively, and equal 100 percent of the required contributions for each year.

PERS

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement 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, CA 95814.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

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 2006-2007 was 9.124 percent of annual payroll. The total cost to the District is 13.02 percent with the offset from revenue limit funding. 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, 2007, 2006, and 2005, were \$2,116,523, \$1,925,955, and \$2,016,148, 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 (STRS or PERS) 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.

Tax On Behalf Payments

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$3,469,325 (4.517 percent of salaries subject to STRS) no contributions were made to PERS for the year ended June 30, 2007. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures; however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have not been included in the budget amounts reported in the General Fund Budgetary Schedule. These amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

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, 2007.

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, 2007.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

Construction Commitments

As of June 30, 2007, the District had the following commitments with respect to the unfinished capital projects:

	Remaining Construction Commitment	Expected Date of Completion
Modernization at various sites		
Atherwood Elementary School	\$ 153,973	March 30, 2008
Berylwood Elementary School	124,379	June 30, 2009
Big Springs Elementary School	93,282	March 30, 2009
Crestview Elementary School	252	August 24, 2007
Hollow Hills Elementary School	95,977	October 30, 2008
Garden Grove Elementary School	275,659	September 30, 2010
Justin Elementary School	77,418	December 30, 2009
Katherine Elementary School	277,074	December 30, 2009
Knolls Elementary School	850	August 24, 2007
Lincoln Elementary School	753,331	October 1, 2007
Madera Elementary School	2,405,039	June 30, 2008
Mountain View Elementary School	336,132	September 30, 2010
Park View Elementary School	156,347	April 30, 2009
Simi Valley Elementary School	193,613	September 30, 2009
Sycamore Elementary School	46,934	September 30, 2008
Township Elementary School	80,330	September 30, 2008
Vista Elementary School	182,222	September 30, 2010
White Oak Elementary School	217,484	September 30, 2010
Wood Ranch Elementary School	35,536	September 30, 2010
Hillside Middle School	233,980	April 30, 2010
Sinaloa Middle School	157,296	January 31, 2009
Valley View Middle School	3,199,034	November 30, 2008
Royal High School	133,730	October 30, 2008
Santa Susana High School	416,489	June 30, 2012
Simi Valley High School	2,871,144	September 30, 2008
Apollo Continuation High	67,829	March 30, 2008
Monte Vista Independent Study	31,309	September 30, 2009
Simi Valley Adult	880,898	June 30, 2008
Education Services Building	170,151	June 30, 2010
Food Services	103,144	September 30, 2010
	<u>\$ 13,770,836</u>	

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

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 Southern California Schools Risk Management Authority (SCSRMA) and the Ventura County Fast Action School Transit Authority (VCFASTA) 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, 2007, the District made payments of \$407,918, \$189,000, and \$3,467, to VCSSFA, SCSRMA, and VCFASTA, respectively, for services received.

NOTE 16 - SUBSEQUENT EVENTS

Tax Revenue and Anticipation Notes

The District issued \$3,455,000 of Tax and Revenue Anticipation Notes dated July 1, 2007. The notes mature on July 1, 2008, and yield 3.62 percent interest. 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 February 2008, until 100 percent of principal and interest due is on account by May 31, 2008.

General Obligation Bond Refunding

The governing board has authorized the establishment of the Simi Valley School Financing Authority (the "Authority") a joint powers agency. On July 12, 2007, the Authority issued and sold \$95,675,000 of 2007 General Obligation Revenue Bonds (Simi Valley Unified School District General Obligation Bond Refunding). The proceeds of the bond sale have been placed in a trust for the purpose of purchasing an issue of bonds issued by the District. The refunding bonds carry interest rates ranging from 4.0 to 5.0 percent and mature through August 2007.

General Obligation Bond Authorization

On September 11, 2007, the Board of Education approved the issuance of final series of General Obligation Bonds authorized at an election held on March 2, 2004. The proceeds of the General Obligation Bonds, Election 2004, Series 2007 C, in the amount of approximately \$45 million, will be used for new construction and modernization projects at District properties.

This page left blank intentionally.

REQUIRED SUPPLEMENTARY INFORMATION

This page left blank intentionally.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts (GAAP Basis)		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Revenue limit sources	\$114,212,385	\$114,015,169	\$114,015,169	\$ -
Federal sources	5,787,527	6,704,554	6,411,039	(293,515)
Other State sources	18,766,342	27,097,848	30,636,706	3,538,858
Other local sources	10,761,909	12,989,350	13,672,191	682,841
Total Revenues ¹	149,528,163	160,806,921	164,735,105	3,928,184
EXPENDITURES				
Current				
Instruction	98,704,919	109,076,229	104,971,834	4,104,395
Instruction related activities:				
Supervision of instruction	2,393,530	3,615,232	3,509,979	105,253
Instructional library, media, and technology	1,074,584	1,260,646	1,194,193	66,453
School site administration	10,656,397	11,352,003	11,284,043	67,960
Pupil services:				
Home-to-school transportation	2,869,068	2,914,475	2,909,558	4,917
Food services	17,721	31,671	31,671	-
All other pupil services	5,325,607	6,038,251	5,821,517	216,734
Administration:				
Data processing	1,545,021	1,461,219	1,462,335	(1,116)
All other administration	5,819,274	5,842,299	5,538,677	303,622
Plant services	14,682,195	15,529,417	15,529,658	(241)
Facility acquisition and construction	654,730	262,085	234,388	27,697
Ancilliary services	989,026	1,331,847	1,264,228	67,619
Community services	197,017	363,292	355,475	7,817
Other outgo	153,964	258,419	256,225	2,194
Enterprise services	-	1,604	1,577	27
Debt service				
Interest and other	225,000	225,000	225,000	-
Total Expenditures ¹	145,308,053	159,563,689	154,590,358	4,973,331
Excess (Deficiency) of Revenues Over Expenditures	4,220,110	1,243,232	10,144,747	8,901,515
Other Financing Sources (Uses)				
Transfers in	-	199,465	199,465	-
Transfers out	(1,000,000)	(950,000)	(950,000)	-
Net Financing Sources (Uses)	(1,000,000)	(750,535)	(750,535)	-
NET CHANGE IN FUND BALANCES	3,220,110	492,697	9,394,212	8,901,515
Fund Balance - Beginning	11,449,719	11,449,719	11,449,719	-
Fund Balance - Ending	\$ 14,669,829	\$ 11,942,416	\$ 20,843,931	\$ 8,901,515

¹ On behalf payments of \$3,469,325 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

This page left blank intentionally.

SUPPLEMENTARY INFORMATION

This page left blank intentionally.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Pell Grants	84.003	[1]	\$ 9,230
Smaller Learning Communities	84.215L	[1]	118,254
Passed Through California Department of Education (CDE):			
Elementary and Secondary Education Act, as amended by the			
No Child Left Behind Act			
Title I, Part A - Basic Grants-Low Income	84.010	14329	1,737,520
Title II, Part A - Improving Teacher Quality	84.367A	14341	488,527
Title II, Part A - Principal Training	84.367A	14344	8,352
Title II, Part D - Enhancing Education through Technology	84.318	14334	49,038
Title III - Language Acquisition Program (LAP)	84.365A	14346	52,211
Title III - Limited English Proficiency (LEP)	84.365A	14346	252,556
Title IV, Part A - Drug Free Schools	84.186	14347	65,490
Title V, Part A - Innovative Strategies	84.298A	14354	19,580
Title VI, California Alternative Performance Assessment	84.369	14488	810
Passed through the Ventura County Superintendent			
of Schools SELPA:			
Individuals with Disabilities Education Act			
Local Assistance	84.027	13379	3,226,730
Federal Preschool, Part B	84.173	13430	98,616
Preschool Local Entitlement	84.027A	13682	178,338
Infant Discretionary, Part B	84.027A	24462	6,527
Low Incidence Entitlement	84.027A	24464	5,148
Workforce Investment Act, Title II:			
Adult Education and Family Literacy Act			
Adult Basic Education	84.002A	14508	60,975
Adult Education - Secondary Education	84.002	13978	25,875
Adult Education - English Language and Civic Education	84.002A	14109	48,657
Carl Perkins Vocational and Applied Technology			
Vocational Programs: Vocational and Application Technology			
Post-secondary and Adult - Title II C, Sec 132	84.048	13924	114,998
Secondary - Title I C, Sec 131	84.048	13924	102,326
Subtotal			<u>6,669,758</u>

[1] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2007

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 CDE:			
Basic School Breakfast Program	10.553	13525	\$ 24,006
Especially Needy Breakfast	10.553	13526	137,339
National School Lunch Program	10.555	13524	1,612,973
Food Distribution	10.550	[1]	298,142
Subtotal			<u>2,072,460</u>
HEALTH AND HUMAN SERVICES			
Passed Through CDE:			
Medi-Cal Reimbursement	93.778	10013	19,748
Total Federal Programs			<u>\$ 8,761,966</u>

[1] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2007

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 site, 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	2008
Rob Collins	Clerk	2008
Jeanne Davis	Member	2010
Eric Lundstrom	Member	2010
Debbie Sandland	Member	2008

ADMINISTRATION

Kathryn Scroggin, Ed.D.	Superintendent
Don Gaudioso	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, 2007

	Revised Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	1,363	1,366
First through third	4,409	4,413
Fourth through sixth	4,551	4,544
Seventh and eighth	2,917	2,906
Home and hospital	6	7
Special education	352	356
Total Elementary	13,598	13,592
SECONDARY		
Regular classes	6,183	6,114
Continuation education	232	229
Home and hospital	6	8
Special education	300	297
Total Secondary	6,721	6,648
Total K-12	20,319	20,240
CLASSES FOR ADULTS		
Concurrently enrolled	114	119
Not concurrently enrolled	2,469	2,551
Students 21 and over and 19 or older not continuously enrolled since their 18th birthday, enrolled in K-12 through independent study	27	29
Total Classes for Adults	2,610	2,699
Grand Total	22,929	22,939
		Hours of Attendance
SUMMER SCHOOL		
Elementary		68,924
Secondary		132,459
Total Hours		201,383

See accompanying note to supplementary information.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2007

Grade Level	1982-83	1986-87	2006-07	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	34,710	36,000	36,000	180	N/A	Complied
Grades 1 - 3	44,535	50,400	50,465	180	N/A	Complied
Grades 4 - 6	51,655	54,000	54,565	180	N/A	Complied
Grades 7 - 8	63,190	54,000	63,875	180	N/A	Complied
Grades 9 - 12	51,655	64,800	65,073	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, 2007**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2007.

See accompanying note to supplementary information.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2007

	(Budget) 2008 ¹	2007	2006	2005
GENERAL FUND				
Revenues	\$157,037,806	\$164,735,105	\$147,482,666	\$140,317,763
Other sources and transfers in	500,000	199,465	1,298,775	637,438
Total Revenues and Other Sources	157,537,806	164,934,570	148,781,441	140,955,201
Expenditures	157,855,966	154,590,358	143,895,502	138,916,584
Other uses and transfers out	975,000	950,000	1,120,900	568,333
Total Expenditures and Other Uses	158,830,966	155,540,358	145,016,402	139,484,917
INCREASE (DECREASE) IN FUND BALANCE	\$ (1,293,160)	\$ 9,394,212	\$ 3,765,039	\$ 1,470,284
ENDING FUND BALANCE	\$ 19,550,771	\$ 20,843,931	\$ 11,449,719	\$ 7,684,680
AVAILABLE RESERVES ²	\$ 3,898,013	\$ 5,353,295	\$ 7,547,328	\$ 5,363,000
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	2.45%	3.52%	5.32%	3.93%
LONG-TERM OBLIGATIONS	N/A	\$133,508,747	\$137,117,640	\$ 98,719,639
K-12 AVERAGE DAILY ATTENDANCE AT P-2	20,078	20,319	20,405	20,579

The General Fund balance has increased by \$13,159,251 over the past two years. The fiscal year 2007-2008 budget projects a decrease of \$1,293,160 (6.2 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 surpluses in each of the past three years but anticipates incurring an operating deficit during the 2007-2008 fiscal year (before carry forwards). Total long-term obligations have increased by \$34,789,108 over the past two years.

Average daily attendance has decreased by 260 over the past two years. Additional decline of 241 ADA is anticipated during fiscal year 2007-2008.

¹ Budget 2008 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund, Special Reserve Fund (other than capital outlay).

³ On behalf payments of \$3,469,325, \$3,241,679, and \$3,146,793 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2007, 2006, and 2005, respectively.

See accompanying note to supplementary information.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

EXCESS SICK LEAVE

JUNE 30, 2007

Section 19833.5 (a)(3) or (a)(3)(b) Disclosure

Simi Valley Unified School District does not provide more than 12 sick leave days in a school year to any CalSTRS member.

See accompanying note to supplementary information.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

BUILDING SUB-FUNDS COMBINING BALANCE SHEET JUNE 30, 2007

	2004 General Obligation Bond	1998 General Obligation Bond	Surplus Property	Earthquake	Total Building Fund
ASSETS					
Deposits and investments	\$70,884,099	\$ 2,350,291	\$ 3,320,214	\$ 611,401	\$77,166,005
Receivables	880,686	28,905	920,644	7,507	1,837,742
Due from other funds	-	2,000,000	-	2,100,000	4,100,000
Total Assets	<u>\$71,764,785</u>	<u>\$ 4,379,196</u>	<u>\$ 4,240,858</u>	<u>\$ 2,718,908</u>	<u>\$83,103,747</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,014,168	\$ 433	\$ 131,661	\$ -	\$ 1,146,262
Due to other funds	9,900	2,100,094	331,795	2,000,029	4,441,818
Total Liabilities	<u>1,024,068</u>	<u>2,100,527</u>	<u>463,456</u>	<u>2,000,029</u>	<u>5,588,080</u>
Fund Balances:					
Unreserved:					
Designated	70,740,717	2,278,669	3,777,402	718,879	77,515,667
Total Fund Balances	<u>70,740,717</u>	<u>2,278,669</u>	<u>3,777,402</u>	<u>718,879</u>	<u>77,515,667</u>
Total Liabilities and Fund Balances	<u>\$71,764,785</u>	<u>\$ 4,379,196</u>	<u>\$ 4,240,858</u>	<u>\$ 2,718,908</u>	<u>\$83,103,747</u>

See accompanying note to supplementary information.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

BUILDING SUB-FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2007

	2004 General Obligation Bond	1998 General Obligation Bond	Surplus Property	Earthquake	Total Building Fund
REVENUES					
Other local sources	\$ 3,409,209	\$ 106,838	\$ 910,254	\$ 27,724	\$ 4,454,025
Total Revenues	<u>3,409,209</u>	<u>106,838</u>	<u>910,254</u>	<u>27,724</u>	<u>4,454,025</u>
EXPENDITURES					
Current					
Plant services	-	-	153,531	-	153,531
Facility acquisition and construction	13,216,813	10,256	486,088	196	13,713,353
Total Expenditures	<u>13,216,813</u>	<u>10,256</u>	<u>639,619</u>	<u>196</u>	<u>13,866,884</u>
Excess (Deficiency) of					
Revenues Over Expenditures	<u>(9,807,604)</u>	<u>96,582</u>	<u>270,635</u>	<u>27,528</u>	<u>(9,412,859)</u>
Other Financing Sources (Uses)					
Other sources	-	-	888,387	-	888,387
Transfers out	-	-	(1,059,465)	-	(1,059,465)
Net Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(171,078)</u>	<u>-</u>	<u>(171,078)</u>
NET CHANGE IN FUND BALANCES	<u>(9,807,604)</u>	<u>96,582</u>	<u>99,557</u>	<u>27,528</u>	<u>(9,583,937)</u>
Fund Balance - Beginning	<u>80,548,321</u>	<u>2,182,087</u>	<u>3,677,845</u>	<u>691,351</u>	<u>87,099,604</u>
Fund Balance - Ending	<u>\$70,740,717</u>	<u>\$ 2,278,669</u>	<u>\$ 3,777,402</u>	<u>\$ 718,879</u>	<u>\$77,515,667</u>

See accompanying note to supplementary information.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2007

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.

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 requirement, whichever is greater, as required by Education Code Section 46201.

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.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2007

Excess Sick Leave

This schedule provides information required by the Audit Guide for California K-12 Local Educational Agencies for excess sick leave authorized or accrued for members of the California State Teachers Retirement System (CalSTRS).

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.

SUPPLEMENTARY INFORMATION - UNAUDITED

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET - UNAUDITED JUNE 30, 2007

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
ASSETS				
Deposits and investments	\$ 1,760,322	\$ 1,154,431	\$ 3,166,163	\$ 10,692,057
Receivables	655,113	334,870	30,947	136,075
Due from other funds	74,502	-	-	-
Stores inventory	-	55,732	-	-
Total Assets	\$ 2,489,937	\$ 1,545,033	\$ 3,197,110	\$ 10,828,132
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 417,816	\$ 90,621	\$ 899,866	\$ 4,753
Due to other funds	914	-	56,970	23,635
Deferred revenue	11,026	-	-	-
Total Liabilities	429,756	90,621	956,836	28,388
Fund Balances:				
Reserved for:				
Revolving cash	900	-	-	-
Stores inventory	-	55,732	-	-
Legally restricted balance	86,852	-	-	-
Unreserved:				
Designated	-	1,398,680	2,240,274	10,799,744
Undesignated, reported in:				
Special revenue funds	1,972,429	-	-	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Total Fund Balances	2,060,181	1,454,412	2,240,274	10,799,744
Total Liabilities and Fund Balances	\$ 2,489,937	\$ 1,545,033	\$ 3,197,110	\$ 10,828,132

See accompanying note to supplementary information - unaudited.

COP Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
\$ 2,076,677	\$ 2,243,640	\$ 8,232,504	\$ 29,325,794
-	28,169	85,673	1,270,847
-	-	-	74,502
-	-	-	55,732
<u>\$ 2,076,677</u>	<u>\$ 2,271,809</u>	<u>\$ 8,318,177</u>	<u>\$ 30,726,875</u>
\$ -	\$ 61,764	\$ -	\$ 1,474,820
-	14,187	-	95,706
-	-	-	11,026
<u>-</u>	<u>75,951</u>	<u>-</u>	<u>1,581,552</u>
-	-	-	900
-	-	-	55,732
-	-	-	86,852
-	2,195,858	-	16,634,556
-	-	-	1,972,429
-	-	8,318,177	8,318,177
<u>2,076,677</u>	<u>-</u>	<u>-</u>	<u>2,076,677</u>
<u>2,076,677</u>	<u>2,195,858</u>	<u>8,318,177</u>	<u>29,145,323</u>
<u>\$ 2,076,677</u>	<u>\$ 2,271,809</u>	<u>\$ 8,318,177</u>	<u>\$ 30,726,875</u>

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2007

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
REVENUES				
Revenue limit sources	\$ 6,833,816	\$ -	\$ -	\$ -
Federal sources	259,735	2,072,460	-	-
Other State sources	153,185	137,213	942,821	-
Other local sources	1,432,851	2,785,573	96,681	1,252,065
Total Revenues	8,679,587	4,995,246	1,039,502	1,252,065
EXPENDITURES				
Current				
Instruction	4,390,600	-	-	-
Instruction-related activities:				
Supervision of instruction	406,026	-	-	-
School site administration	1,827,564	-	-	-
Pupil services:				
Food services	-	4,323,141	-	-
All other pupil services	318,981	-	-	-
Administration:				
All other administration	109,010	191,238	-	23,090
Plant services	866,840	435,187	250,115	160,429
Facility acquisition and construction	17,148	51,554	1,939,996	525,390
Community services	148,720	-	-	-
Enterprise services	128	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	8,085,017	5,001,120	2,190,111	708,909
Excess (Deficiency) of Revenues Over Expenditures	594,570	(5,874)	(1,150,609)	543,156
Other Financing Sources (Uses)				
Transfers in	-	-	950,000	-
Other sources	-	-	-	-
Transfers out	-	-	-	-
Net Financing Sources (Uses)	-	-	950,000	-
NET CHANGE IN FUND BALANCES	594,570	(5,874)	(200,609)	543,156
Fund Balance - Beginning	1,465,611	1,460,286	2,440,883	10,256,588
Fund Balance - Ending	\$ 2,060,181	\$ 1,454,412	\$ 2,240,274	\$ 10,799,744

See accompanying note to supplementary information - unaudited.

COP Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 6,833,816
-	-	-	2,332,195
-	-	84,034	1,317,253
111,750	114,274	8,398,911	14,192,105
111,750	114,274	8,482,945	24,675,369
-	-	-	4,390,600
-	-	-	406,026
-	-	-	1,827,564
-	-	-	4,323,141
-	-	-	318,981
-	-	-	323,338
-	-	-	1,712,571
-	344,164	-	2,878,252
-	-	-	148,720
-	-	-	128
340,000	383,910	3,145,000	3,868,910
668,966	40,024	5,980,575	6,689,565
1,008,966	768,098	9,125,575	26,887,796
(897,216)	(653,824)	(642,630)	(2,212,427)
414,585	860,000	-	2,224,585
509,668	-	24	509,692
-	(414,585)	-	(414,585)
924,253	445,415	24	2,319,692
27,037	(208,409)	(642,606)	107,265
2,049,640	2,404,267	8,960,783	29,038,058
\$ 2,076,677	\$ 2,195,858	\$ 8,318,177	\$ 29,145,323

SIMI VALLEY UNIFIED SCHOOL DISTRICT

GENERAL FUND SELECTED FINANCIAL INFORMATION THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES OF FUND BALANCE - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2007

(Amounts in thousands)

	Actual Results for the Years					
	2006-2007		2005-2006		2004-2005	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	\$ 6,411	3.9	\$ 6,698	4.5	\$ 6,046	4.3
State and local revenue included in revenue limit	114,015	69.2	106,346	72.1	101,657	72.5
Other State revenue	30,637	18.6	22,746	15.4	21,386	15.2
Other local revenue	12,888	7.8	3,202	2.2	2,578	1.8
Tuition and transfers in	784	0.5	8,491	5.8	8,651	6.2
Total Revenues	164,735	100.0	147,483	100.0	140,318	100.0
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	75,427	45.8	71,022	48.2	68,944	49.1
Classified salaries	24,171	14.6	22,361	15.2	21,781	15.5
Employee benefits	37,503	22.8	36,323	24.6	35,462	25.3
Total Salaries and Benefits	137,101	83.2	129,706	88.0	126,187	89.9
Books and supplies	6,152	3.7	4,868	3.3	4,215	3.0
Contracts and operating expenses	11,493	7.0	9,529	6.5	8,845	6.3
Other outgo	(1,021)	(0.6)	(1,043)	(0.7)	(763)	(0.5)
Capital outlay	640	0.4	484	0.3	363	0.3
Debt Service	225	0.1	352	0.2	69	0.0
Total Expenditures	154,590	93.8	143,896	97.6	138,916	99.0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	10,145	6.2	3,587	2.4	1,402	1.0
OTHER FINANCING SOURCES (USES)						
Transfers in (out), net	(751)	(0.5)	178	0.1	69	0.0
INCREASE IN FUND BALANCE	9,394	5.7	3,765	2.5	1,471	1.0
FUND BALANCE, BEGINNING	11,450		7,685		6,214	
FUND BALANCE, ENDING	\$ 20,844		\$ 11,450		\$ 7,685	
BASE REVENUE LIMIT PER ADA						
Regular	\$ 5,530		\$ 5,136		\$ 4,925	
Adult	\$ 2,531		\$ 2,389		\$ 2,292	

See accompanying note to supplementary information - unaudited.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED JUNE 30, 2007

NOTE 1 - PURPOSE OF SCHEDULES

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

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 - Unaudited

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

This page left blank intentionally.

INDEPENDENT AUDITORS' REPORTS

This page left blank intentionally.



**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, 2007, which collectively comprise Simi Valley Unified School District's basic financial statements and have issued our report thereon dated November 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 above.

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 November 12, 2007.

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.

Varinik, Tri, Day & Co., LLP

Rancho Cucamonga, California
November 12, 2007



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO 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 the compliance of Simi Valley Unified School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2007. 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 requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in a district's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Vanish, Ti, Day & Co., LLP

Rancho Cucamonga, California
November 12, 2007



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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, 2007, and have issued our report thereon dated November 12, 2007. 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 2006-07*, 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.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Simi Valley Unified School District's management. 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	8	Yes
Kindergarten continuance	3	Yes
Independent study	23	Yes
Continuation education	10	Yes
Adult education	9	Yes
Regional occupational centers and programs	6	Not Applicable
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Community day schools	9	Not Applicable
Morgan-Hart Class Size Reduction	7	Yes

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Instructional Materials:		
General requirements	12	Yes
K-8 only	1	Yes
9-12 only	1	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Early retirement incentive	4	Not Applicable
Gann limit calculation	1	Yes
School Construction Funds:		
School District bonds	3	Yes
State school facilities funds	1	Yes
Alternative pension plans	2	Yes, see below
Excess sick leave	2	Yes
Notice of right to elect California State Teachers Retirement System (CalSTRS) membership	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Yes
School Accountability Report Card	3	Yes
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
District or charter schools with only one school serving K-3	4	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	1	Not Applicable
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	3	Not Applicable

We did not perform Step 2 for Alternative Pension Plans, because the District did not offer such a plan to regular, full-time employees.

Based on our audit, we found that for the items tested, the Simi Valley Unified School District complied with the State laws and regulations referred to above. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Simi Valley Unified School District had not complied with the laws and regulations. Our audit does not provide a legal determination on Simi Valley Unified School District's compliance with the State laws and regulations referred to 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, 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.

Vannich, Tai, Day & Co., LLP

Rancho Cucamonga, California
November 12, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

This page left blank intentionally.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2007

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<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 not considered to be material weaknesses?	<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 Circular A-133, Section .510(a)	
Identification of major programs:	<u>No</u>

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>ESEA, NCLB, Title I, Part A</u>
<u>84.367A</u>	<u>ESEA, NCLB, Title II, Part A</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007**

None reported.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

None reported.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

None reported.

SIMI VALLEY UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007**

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

This page left blank intentionally.



Governing Board
Simi Valley Unified School District
Simi Valley, California

In planning and performing our audit of the financial statements of Simi Valley Unified School District, for the year ended June 30, 2007, 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 opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated November 12, 2007, on the financial statements of Simi Valley Unified School District.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

INTERNAL CONTROL

ATTENDANCE

Apollo Continuation High School

Finding

Attendance is posted directly to the computerized attendance system by teachers in the classroom. In order to provide an audit trail, the California Department of Education suggests that weekly or bi-weekly class attendance reports, generated from the system, should be signed by the teacher who originally recorded the students' attendance. This site does not require teachers to sign the weekly on-line attendance sheets. No misstatement of average daily attendance was noted in relation to this situation.

Recommendation

The site should require the teachers to sign weekly attendance sheets to ensure that the District is in compliance with the State suggested procedures of signing the original attendance documents as evidence that the attendance was taken by a credentialed employee as required by Educational Code Section 1703 and 1704. The signature also serves as certification by the teacher that the information contained on this source document is accurate to the best of his or her knowledge. This procedure is also outlined in the State Department of Education's guide, "Attendance Accounting and Reporting in California Public Schools."

ASSOCIATED STUDENT BODY

Hillside Middle School

Finding

The following internal control weaknesses were noted during the course of our audit:

1. Revenue potentials have not been completed.
2. Ticket sale logs or summaries have not been used.
3. Amounts collected have not been adequately receipted. Sub-receipts books are not in use, and the master receipt book had multiple blank receipts which were bypassed. Furthermore, the site has not been batching receipts to bank deposits. Consequently, we were not able to test the site's receipting process, because receipts could not be traced to bank deposits.
4. Approval of expenditures has not been documented in the minutes of student government meetings.
5. Neither purchase orders nor another form of documenting purchase approval were used prior to purchasing items. Approval is not documented by the District representative, student representative, nor advisors prior to purchase.

Recommendation

1. Since the revenue potential form is a vital internal control tool, it should be used to compare anticipated revenues and expenditures to actual revenues and expenditures. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fund-raising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due and so forth. The revenue potential form used at the site should contain four major elements. These are:
 - Anticipated Revenues/Expenditures- This information is useful when making a determination as to whether the fundraiser should be approved by the student body.
 - Actual Revenues/Expenditures – The receipt numbers for all revenues should be documented along with amounts. Also, purchase order/check numbers should be documented along with actual cost information.
 - Analysis-This section compares sales documentation (i.e. receipts, tally sheets, ticket sales reports, etc.) to cash collections. Any significant differences (i.e. lost, damaged, or stolen goods) should be documented and explained on the revenue potential form.
 - Recap-This section identifies the net profit for the fundraiser. This can be compared to the anticipated profit in order to identify whether the fundraiser was successful.
2. Pre-numbered tickets should be used for all events for which admission is charged. Ticket rolls should be monitored and controlled with the use of ticket sale logs and ticket log summary reports. The use of ticket rolls and sales logs will provide the site with a method of reconciling the number of tickets sold to monies collected. The ticket summary report will document that ticket roll use has been tracked.
3. Pre-numbered sub-receipt books should be issued to any advisor who collects money from students or others. Copies of the sub-receipt should be included with amounts collected when submitted to the ASB clerk for deposit. When the bank deposit is prepared, this documentation should be included, along with a copy of the receipt written by the clerk to the advisor, as back up for the amount deposited. Receipts should be written in numerical order to prove that all have been accounted for.
4. All expenditures must be approved and the approval documented prior to any purchase. Expenditures must be approved by a District representative, the student representative, and the advisor.
5. Approval for all expenditures must be documented in the ASB minutes.

Royal High School

Finding

Site personnel could not locate backup documentation for one disbursement selected for testing.

Recommendation

Documentation should be maintained for all disbursements made by the associated student body. This should include approval forms, invoices, and packing slips or other proof of receipt of the goods or services.

Apollo Continuation High School

Finding

Deposits have not been made in timely manner; 17 to 49 days have elapsed between receipt and deposit dates.

Recommendation

In order to safeguard cash collections, deposits should be made at least once per week.

Simi Valley Adult School

Finding

The following internal control weaknesses were noted during the course of our audit:

1. Deposits have not been made in timely manner. This results in large cash balances being maintained at the site which decreases the safeguarding of the asset.
2. Revenue potentials have not been prepared for fund raising events.
3. Shortages and overages of cash collections are not documented for daily sales in the student store.

Recommendation

1. In order to safeguard cash collections, deposits should be made at least once per week.
2. Since the revenue potential form is a vital internal control tool, it should be used to compare anticipated revenues and expenditures to actual revenues and expenditures. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fund-raising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due and so forth. The revenue potential form used at the site should contain four major elements. These are:
 - Anticipated Revenues/Expenditures-This information is useful when making a determination as to whether the fundraiser should be approved by the student body.
 - Actual Revenues/Expenditures-The receipt numbers for all revenues should be documented along with amounts. Also, purchase order/check numbers should be documented along with actual cost information.

- Analysis-This section compares sales documentation (i.e. receipts, tally sheets, ticket sales reports, etc.) to cash collections. Any significant differences (i.e. lost, damaged, or stolen goods) should be documented and explained on the revenue potential form.
 - Recap-This section identifies the net profit for the fundraiser. This can be compared to the anticipated profit in order to identify whether the fundraiser was successful.
3. Shortages and overages of cash collections should be documented in order to determine if there is a trend over time.

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

Vanish, Tris, Day & Co., LLP

Rancho Cucamonga, California
November 12, 2007