

VENTURA UNIFIED SCHOOL DISTRICT

VENTURA COUNTY

**REPORT ON
AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2004**

VENTURA UNIFIED SCHOOL DISTRICT



VENTURA UNIFIED SCHOOL DISTRICT

**AUDIT REPORT
June 30, 2004**

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INDEPENDENT AUDITORS' REPORT

Board of Education
Ventura Unified School District
255 West Stanley Avenue
Ventura, California 93001

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ventura Unified School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 basic 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 Ventura Unified School District as of June 30, 2004, and the respective changes in financial position for the fiscal 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 September 23, 2004 on our consideration of the Ventura Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



Board of Education
Ventura Unified School District

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ventura Unified School District basic financial statements. The management's discussion and analysis, combining and individual non-major fund financial statements, supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of Ventura Unified School District. The combining and individual non-major fund financial statements and supplementary section, including the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The management's discussion and analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

September 23, 2004

VENTURA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2004

The Management Discussion and Analysis section of Ventura Unified School District's financial report presents an overall review of the District's financial performance during the fiscal year that ended on June 30, 2004. Readers should also review the notes to the basic financial statements and the fund financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Net assets increased \$3.1 million or 2 percent over the course of the year.
- Total Revenues were \$146 million. General revenue accounted for \$100 million or 68 percent of total revenues.
- The School District had \$140.6 million in expenses; \$40.5 million of these expenses were offset by program specific charges for services and, grants and/or contributions.
- Outlays for capital improvements were \$25.4 million mostly because of the facilities modernization program. Governmental funds report capital outlay as expenditures. However in the statement of activities the cost of these assets is allocated over their useful lives as depreciation expense.
- Among major funds, the General Fund had \$112,664,504 in revenues and \$117,903,880 in expenditures. The primary cause of the revenue decrease from the prior year was reduced state funding. Although the District anticipated state funding cuts and made major budget reductions expenditures increased from the prior year. This was due to the spending of categorical program reserves, increased insurance cost, and an accounting procedure change that caused the District to pay retiree benefits premiums from the General Fund. Although the difference in revenues and expenditures for the general fund was over \$5 million, the General Fund balance decrease was only \$3.8 million because of the transfer of funds from the Retiree benefit fund to the General Fund to pay premiums.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts, Management's Discussion and Analysis (this section), the basic financial statements, and the required supplementary information. The basic financial statements include 2 kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term and long-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the district, reporting the District's operations in more detail.

VENTURA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2004

(Continued)

The financial statements also include *notes* that explain some of the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that farther explains and supports the financial statements with comparison of the District's budget for the year.

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net assets* and how they have changed. Net assets—the difference between the District's assets and liabilities—are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements the District's activities include:

- *Governmental activities*—Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities. Other funds in the District are also included here and are described in the notes to the financial statements.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.

VENTURA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2004

(Continued)

- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like federal grants).

The District has two kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) between them.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

VENTURA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2004

(Continued)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's Combined net assets were larger on June 30, 2004 than they were the year before, increasing more than 2.4% to \$129.8 million. (See table 1.) Most of this improvement in the District's position came from its governmental activities, the net assets of which grew 3.1 million to 129.8 million. Table 1 provides a summary of the District's net assets for 2004.

Table 1
Ventura Unified School District's Net Assets
(In Millions)

Summary of Statement of Net Assets	Governmental Activities		Total Change	Total % Change
	2003	2004		
Non-capital Assets	\$ 64.7	\$ 49.7	\$ (15.0)	-23%
Capital Assets	148.0	168.2	20.2	14%
Total Assets	212.7	217.9	\$ 5.2	2.44%
Current Liabilities	18.7	13.7	\$ (5.0)	-27%
Long Term Liabilities	67.3	74.3	7.0	10%
Total Liabilities	86.0	88.0	\$ 2.0	2.33%
Invested in Capital Assets Net Of Related Debt	90.1	100.1	\$ 10.0	11%
Net Assets Legally Restricted	6.9	6.4	(0.5)	-7%
Net Assets Unrestricted	29.7	23.3	(6.4)	-22%
Total Net Assets	\$126.7	\$129.8	\$ 3.1	2.40%

Total assets were \$217.9 million, capital assets were 77 percent (\$168.2 million) and non-capital assets were 23 percent (\$49.7 million). Total Liabilities were \$88 million 16 percent (\$13.7 million) current and 84 percent (\$74.3 million) long term. Of the District's *combined* net assets \$100.1 million, 77 percent were capital assets net of related debt, 5 percent (\$6.4 million) was net assets legally restricted, and 18 percent (\$23.3 million) was net assets unrestricted.

VENTURA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2004

(Continued)

Table 2
Changes in Ventura Unified School District's Net Assets
(In Millions)

Summary of Statement of Activities	Governmental Activities	
	2003	2004
Program Revenues	\$ 52.2	\$ 40.5
General Revenues	99.5	100.9
Gain on Sale of Land	1.2	4.3
Total Revenues	<u>152.9</u>	<u>145.7</u>
Expenses for Instruction and Related Services	90.5	88.1
Pupil Services	14.0	15.1
General Administration	8.2	8.0
Plant Services	12.7	12.1
Ancillary, Community and Enterprise Activities	0.6	6.2
Debt Service	3.6	4.1
Other Outgo	1.6	2.0
Depreciation	4.3	5.0
Interest expense from refunding of general obligation bonds		1.9
Total Expenses	<u>135.5</u>	<u>142.5</u>
Change in Net Assets	17.4	3.2
Net Assets, Beginning	109.3	126.7
Net Assets, Ending	<u>\$126.7</u>	<u>\$129.9</u>

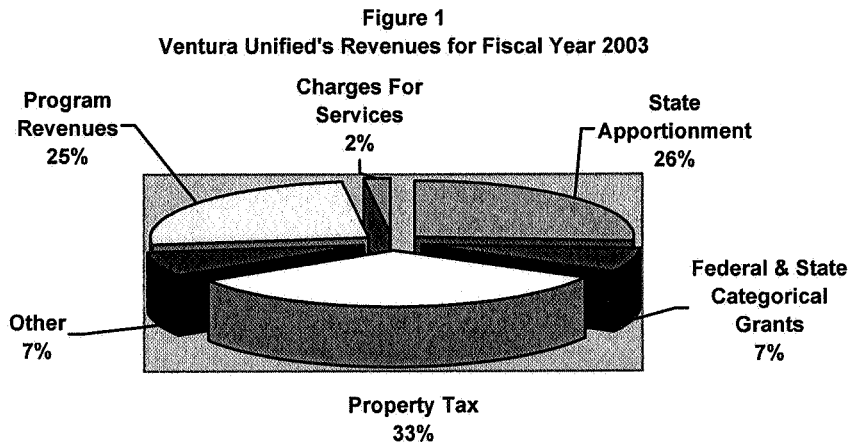
Total cost of all governmental activity programs and services were \$142.5 million. Instruction and pupil services made up 73 percent of total program cost. Plant services were 9 percent and general administration was 6 percent.

VENTURA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2004

(Continued)

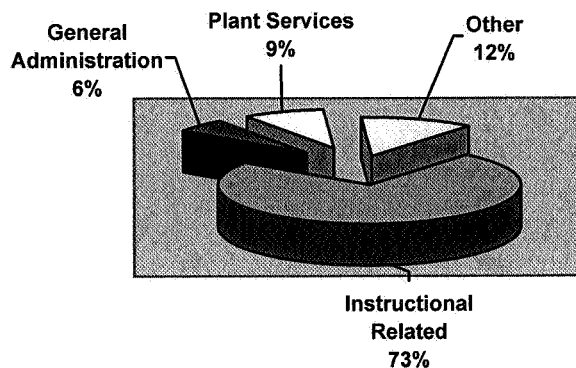
Governmental Activities

By the end of the fiscal year the revenues for the District's governmental activities totaled \$146 million. 69 percent was general revenues (mostly property taxes, state and federal aide), and 28 percent was program revenues. State Apportionment and Property Tax produce 59 percent of the revenues received to provide for the District's basic services.



The cost of all the District's major activities: Instruction, guidance, counseling, evaluation, school leadership, student transportation, administration and, maintenance and operations was \$140.5 million. Users of the district programs paid (\$3.3 million) of the cost. The federal and state governments subsidized certain programs with grants and contributions (\$37 million). Most of the District's expenses (\$85million), were paid for by District taxpayers and the taxpayers of our state.

Figure 2. Ventura Unified's Expenses for Fiscal Year 2002



VENTURA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2004

(Continued)

FINANCIAL ANALYSIS OF THE DISTRICTS FUNDS

General Fund Budgetary Highlights

Over the course of the year, the District revises its annual operating budget several times. The District is required to adopt its budget by June 30th each year, which is prior to final funding information from the State. After the State budget is adopted the District is required to present the impacts of the State budget to the District budget within 45 days of the Governor's signature. Budget revisions are made to reflect the impacts. The District is also required by law to make two formal presentations each year on its financial condition. Budget revisions are made after the presentations to reflect current information. We also make budget revisions throughout the year as information regarding funding and expenditures become available.

Actual revenues were \$2.9 million less than the final budgeted amount. This is mostly because of deferred revenues in state and federal categorical programs. Deferred revenue is revenue received in a given period but unearned. Most categorical programs require the grant recipient to spend the funds in the year received. Because we were unable to spend all of the funds during the school year the unspent revenues were considered unearned. They were deferred and re-appropriated in next years budget.

Actual expenditures were \$4.9 million below final budget mainly due to a deliberate decrease in spending for books and supplies in anticipation of state budget cuts, and the non-expenditure categorical program funds. The school district appropriates categorical programs up to their full allocations. The large variance at year-end is a result of these programs not being expended in total and much of the funding is deferred or restricted to the subsequent year.

Capital Assets

By the end of the school year the District had invested \$25 million in a broad range of capital assets, including school facilities, technology equipment and infrastructure, classroom and office furniture, and vehicles. Overall Capital Assets increased 13.5 percent from \$148 million as of July 1, 2003 to \$168 million as of June 30, 2004

Debt Administration

By year-end the District had \$74.3 million in long term debt a 9.7 percent (\$6.9 million) increase over last year. The District issued \$6 million in General Obligation bonds on July 2, 2003 to continue the school modernization program. The District's bonds currently are rated "A".

VENTURA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2004

(Continued)

Average Daily Attendance

Average daily attendance reported on the annual attendance report for the regular education program and excluding adult education decreased by 7 to 16,831. The District experienced flat enrollment to be flat over the next 2 years.

Factors bearing on the district's future

Although the District is financially stable it's financial condition is highly dependent upon the economic condition of the State of California. At the time these financial statements were prepared and audited, the District was aware of three existing conditions that could significantly affect its financial picture in the future.

- The State of California is projecting major budget deficits that would have negative impacts on school district budgets throughout the state. We anticipate expenditure growth to continue while revenues are expected to experience little or no growth.
- The rising cost of insurance continues to be a major concern for the District especially in the area of workers compensation.
- Several capital facilities projects are planned for the current year as part of the continued implementation of the District's Facilities Master Plan.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information contact Joseph Richards, Assistant Superintendent of Business at Ventura Unified School District, 255 West Stanley Ave, Ventura California 93001.

FINANCIAL SECTION

VENTURA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash in county treasury	\$ 34,808,914
Cash on hand and in banks	123,946
Cash in revolving fund	50,000
Cash with fiscal agent	1,475,076
Investments with fiscal agent	454,087
Accounts receivable:	
Federal and State governments	7,083,147
Miscellaneous	5,355,591
Due from fiduciary funds	10,581
Inventories	359,862
Prepaid expenditures	3,206
Land	12,797,476
Depreciable assets, net	<u>155,363,423</u>
Total Assets	<u>217,885,309</u>
<u>Liabilities</u>	
Accounts payable and other current liabilities	9,192,842
Deferred revenue	2,392,408
Bond premium, net of issuance cost	491,673
Current portion of long-term liabilities:	
General obligation bonds	1,455,000
Certificates of participation	205,000
Loan payable	12,167
Non-current portion of long-term liabilities:	
Compensated absences	639,525
General obligation bonds	68,355,000
Certificates of participation	5,205,000
Loan payable	<u>84,035</u>
Total Liabilities	<u>88,032,650</u>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	100,073,582
Restricted for:	
Debt service	4,572,400
Educational programs	1,861,131
Unrestricted	<u>23,345,546</u>
Total Net Assets	<u>\$ 129,852,659</u>

See the accompanying notes to the financial statements.

VENTURA UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2004

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Total Governmental Activities
Governmental Activities					
Instruction	\$ 75,834,479	\$ 1,165,527	\$ 16,450,504	\$ 7,162,127	\$ (51,056,321)
Instruction - related services	12,309,392		1,872,494		(10,436,898)
Pupil services	15,053,504	2,184,606	6,656,414		(6,212,484)
Ancillary services	462,008				(462,008)
Community services	328,717		10,236		(318,481)
Enterprise activities	5,438,403				(5,438,403)
General administration	7,998,397		1,297,670		(6,700,727)
Plant services	12,099,388		2,011,080		(10,088,308)
Other outgo	2,036,005		1,726,145		(309,860)
Debt service - interest	4,053,984				(4,053,984)
Depreciation (unallocated)	4,980,087				(4,980,087)
Total Governmental Activities	\$ 140,594,364	\$ 3,350,133	\$ 30,024,543	\$ 7,162,127	(100,057,561)

General Revenues

Property taxes levied for:	
General purposes	42,914,288
Debt service	5,029,968
Federal and State aid not restricted to specific purposes	47,279,992
Interest and investment earnings	931,360
Interagency revenues	774,751
Miscellaneous	3,951,048
Special item - gain on sale of land	4,323,852
Total General Revenues and Special Items	105,205,259

Excess (deficiency) of revenues over expenses before extraordinary loss 5,147,698

Extraordinary Items

Interest expense from refunding of general obligation bonds	1,970,000
Changes in net assets	3,177,698

Net Assets at Beginning of Year 126,674,961

Net Assets at End of Year \$ 129,852,659

See the accompanying notes to the financial statements

VENTURA UNIFIED SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2004

	General Fund	Building Fund	County School Facilities Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash in county treasury	\$ 253,043	\$ 10,920,969	\$ 9,699,186	\$ 13,935,716	\$ 34,808,914
Cash on hand and in banks				123,946	123,946
Cash in revolving fund	50,000				50,000
Cash with fiscal agent		1,475,076			1,475,076
Investments with fiscal agent		454,087			454,087
Accounts receivable:					
Federal and State governments	5,812,346			1,270,801	7,083,147
Miscellaneous	4,762,162	121,737	13,067	458,625	5,355,591
Due from other funds	1,353,157	16,093	2,011,415	189,340	3,570,005
Inventories	276,299			83,563	359,862
Prepaid expenditures	3,206				3,206
Total Assets	\$ 12,510,213	\$ 12,987,962	\$ 11,723,668	\$ 16,061,991	\$ 53,283,834
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 2,351,249	\$ 1,480,885	\$ 3,206,735	\$ 874,777	\$ 7,913,646
Due to other funds	82,065	2,081,237		1,396,122	3,559,424
Deferred revenue	2,192,560			149,848	2,342,408
Total Liabilities	4,625,874	3,562,122	3,206,735	2,420,747	13,815,478
Fund Balances					
Restricted for debt service				4,572,400	4,572,400
Restricted for special purposes	1,690,758			170,373	1,861,131
Reserved for special purposes	329,505			83,563	413,068
Designated for special purposes	3,693,052	9,425,840	8,516,933	8,400,543	30,036,368
Undesignated	2,171,024			414,365	2,585,389
Total Fund Balances	7,884,339	9,425,840	8,516,933	13,641,244	39,468,356
Total Liabilities and Fund Balances	\$ 12,510,213	\$ 12,987,962	\$ 11,723,668	\$ 16,061,991	\$ 53,283,834

See the accompanying notes to the financial statements.

VENTURA UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS**

June 30, 2004

Total fund balances-governmental funds \$ 39,468,356

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used for governmental activities are not financial
resources and therefore are not reported as assets in governmental
funds. These assets consist of:

Land	12,797,476
Depreciable assets, net	<u>155,363,423</u>

Total capital assets 168,160,899

Long-term liabilities, including bonds payable, are not due and
payable in the current period and therefore are not reported as
liabilities in the funds. Long-term liabilities at year-end consist of:

Certificates of participation	(5,410,000)
Loan Payable	(96,202)
General obligation bonds payable	(69,810,000)
Compensated absences	<u>(639,525)</u>
	(75,955,727)

General obligation bond premium, net of issuance costs to
be amortized over the life of the bond (491,673)

Deposit received related to future general obligation bond proceeds (50,000)

Interest expense related to certificates of participation and
general obligation bonds payable was incurred but not accrued
through June 30, 2004 (1,279,196)

Total net assets – governmental activities \$129,852,659

See the accompanying notes to the financial statements.

VENTURA UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2004

	<u>General Fund</u>	<u>Building Fund</u>	<u>County School Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Revenue limit sources:					
State apportionments	\$ 37,526,949	\$	\$	\$ 4,779,101	\$ 42,306,050
Local sources	42,863,187	_____	_____	_____	42,863,187
Total revenue limit sources	<u>80,390,136</u>	<u>-</u>	<u>-</u>	<u>4,779,101</u>	<u>85,169,237</u>
Federal sources	8,543,160	_____	_____	3,330,800	11,873,960
Other State sources	15,447,493	_____	7,162,127	1,387,321	23,996,941
Other local sources	<u>8,283,715</u>	<u>1,421,950</u>	<u>83,579</u>	<u>10,548,784</u>	<u>20,338,028</u>
Total Revenues	<u>112,664,504</u>	<u>1,421,950</u>	<u>7,245,706</u>	<u>20,046,006</u>	<u>141,378,166</u>
Expenditures					
Instruction	71,890,151	_____	_____	3,949,486	75,839,637
Instruction - related services	10,941,125	_____	_____	1,370,587	12,311,712
Pupil services	8,691,803	_____	_____	6,368,707	15,060,510
Ancillary services	462,008	_____	_____	_____	462,008
Community services	328,716	_____	_____	_____	328,716
Enterprise	5,508,429	_____	_____	_____	5,508,429
General administration	6,699,097	_____	_____	1,283,394	7,982,491
Plant services	11,346,546	9,833,151	12,813,881	3,958,028	37,951,606
Other outgo	2,036,005	_____	_____	_____	2,036,005
Debt service	_____	<u>447,995</u>	_____	<u>4,512,889</u>	<u>4,960,884</u>
Total Expenditures	<u>117,903,880</u>	<u>10,281,146</u>	<u>12,813,881</u>	<u>21,443,091</u>	<u>162,441,998</u>
Excess (deficiency) of revenues over expenditures	<u>(5,239,376)</u>	<u>(8,859,196)</u>	<u>(5,568,175)</u>	<u>(1,397,085)</u>	<u>(21,063,832)</u>
Other Financing Sources (Uses)					
Interfund transfers in	5,664,736	4,698,577	4,434,415	4,277,499	19,075,227
Proceeds from sale of land	_____	4,497,921	_____	_____	4,497,921
Proceeds from sale of bonds	_____	5,990,168	_____	_____	5,990,168
Proceeds from refunding bonds	_____	24,056,923	_____	_____	24,056,923
Payment to refunded bond escrow agent	_____	(23,671,504)	_____	_____	(23,671,504)
Interfund transfers out	<u>(4,200,000)</u>	<u>(8,011,914)</u>	<u>(200,582)</u>	<u>(6,496,262)</u>	<u>(18,908,758)</u>
Total Other Financing Sources (Uses)	<u>1,464,736</u>	<u>7,560,171</u>	<u>4,233,833</u>	<u>(2,218,763)</u>	<u>11,039,977</u>
Net changes in fund balances	<u>(3,774,640)</u>	<u>(1,299,025)</u>	<u>(1,334,342)</u>	<u>(3,615,848)</u>	<u>(10,023,855)</u>
Fund Balances at Beginning of Year	<u>11,658,979</u>	<u>10,724,865</u>	<u>9,851,275</u>	<u>17,257,092</u>	<u>49,492,211</u>
Fund Balances at End of Year	<u>\$ 7,884,339</u>	<u>\$ 9,425,840</u>	<u>\$ 8,516,933</u>	<u>\$ 13,641,244</u>	<u>\$ 39,468,356</u>

See the accompanying notes to the financial statements.

VENTURA UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2004**

Net change in fund balances – Total government funds (\$ 10,023,855)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense.

Capital outlay	25,423,533	
Depreciation expense	<u>(4,980,087)</u>	
Excess of capital outlay over depreciation expense		20,443,446

The proceeds from the sale of land is reported as revenue in the governmental funds. However, the cost of the land and equipment is removed from the capital assets balance in the statement of net assets and offset against the sale proceeds resulting in a gain on the assets sold in the statement of activities.

Cost of land sold	174,069	
Retirement of equipment (net of accumulated depreciation)	<u>116,422</u>	
		(290,491)

Issuance of long-term debt is reported as proceeds in governmental funds, but increases long-term liabilities in the statement of net assets.

General obligation bonds issued, net of advance deposit		(5,940,000)
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The difference between the payment to Refunded bond escrow agent and the proceeds from refunded general obligation bonds is recognized as an extraordinary loss on the statement of activities

(1,970,000)

Advance proceeds on issuance of long-term debt is reported as proceeds in governmental funds but increases in deferred liabilities in the statement of net assets

Deposit received related to future general obligation bond assets		(50,000)
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Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

General obligation bond principal payments	1,025,000	
Certificates of participation principal payments	<u>200,000</u>	
		1,225,000

Some items reported in the statement of activities do not result in current financial resources or require the use of current financial resources and therefore are not reported as revenues or expenditures in governmental funds. These activities consist of:

Net decrease in accrued interest	187,733	
Net decrease in compensated absences	87,538	
Accrual of premium on general obligation bonds	<u>(491,673)</u>	
		<u>(216,402)</u>

Change in net assets of governmental activities		<u>\$ 3,177,698</u>
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See the accompanying notes to the financial statements.

VENTURA UNIFIED SCHOOL DISTRICT

STATEMENT OF FUND NET ASSETS - FIDUCIARY FUNDS

June 30, 2004

	<u>Foundation Private- Purpose Trust</u>	<u>Associated Student Body Funds</u>
<u>Assets</u>		
Cash in county	\$ 170,079	\$
Cash on hand and in banks		1,031,806
Accounts receivable:		
Miscellaneous	5,813	
Inventories		27,408
Total Assets	<u>175,892</u>	<u>1,059,214</u>
<u>Liabilities</u>		
Accounts payable	624	8,669
Due to other funds	10,581	
Funds held in trust		700,743
Total Liabilities	<u>11,205</u>	<u>709,412</u>
<u>Net Assets</u>		
Restricted for special purposes	164,687	
Unrestricted		349,802
Total Net Assets	<u>\$ 164,687</u>	<u>\$ 349,802</u>

See the accompanying notes to the financial statements.

VENTURA UNIFIED SCHOOL DISTRICT

STATEMENT OF CHANGES IN FUND NET ASSETS - FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2004

	Foundation Private-Purpose Trust	Associated Student Body Funds
Additions		
Revenue from local sources	\$ 182,079	\$ 1,360,453
Total Additions	182,079	1,360,453
Deductions		
Scholarships	900	
Other expenses	117,465	1,330,232
Interfund transfers out	166,469	
Total Deductions	284,834	1,330,232
Changes in net assets	(102,755)	30,221
Net Assets at Beginning of Year	267,442	319,581
Net Assets at End of Year	\$ 164,687	\$ 349,802

See the accompanying notes to the financial statements.

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

The significant accounting policies applicable to the District are described below.

A. BASIS OF PRESENTATION:

The accompanying financial statements have been prepared in conformity with GAAP as prescribed by the GASB, including Statement No. 34, Basic Financial Statements and Management Discussion and Analysis – for State and Local Governments and Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants. The financial statement presentation required by GASB No. 34 provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective enhances the fund-group perspective previously required. Fiduciary activities are excluded from the basic financial statements. The Fiduciary activities of the District's component unit are reported separately in the Fiduciary Fund Statements.

The District's basic financial statements consist of government-wide statements, including a Statement of Net Assets, a Statement of Activities, and Fund Financial Statements.

1. Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities displays information about the District as a whole. These statements include the financial activities of the primary government. The Fiduciary Funds are excluded.

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

A. BASIS OF PRESENTATION: (continued)

1. Government-wide Financial Statements: (continued)

The Statement of Net Assets presents the financial condition of the governmental activities of the District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

2. Fund Financial Statements:

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

A. BASIS OF PRESENTATION: (continued)

2. Fund Financial Statements: (continued)

The fund financial statement expenditures are presented in a function-oriented format. The following is a brief description of the functions:

Instruction – includes the activities directly dealing with the interaction between teachers and students.

Instruction-related services – includes supervision of instruction, instructional library, media and technology, and school site administration.

Pupil services – includes health, counseling, home to school transportation, food services and other pupil services.

Ancillary services – includes activities that are generally designed to provide students with experiences outside the regular school day.

Community services – includes activities that provide services to community participants other than students.

General administration – includes data processing services and all other general administration services.

Plant services – includes activities of maintaining the physical plant. This also includes facilities acquisition and construction expenditures.

Other outgo – includes transfers to other agencies.

Fiduciary fund expenditures are presented by natural classification.

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. FUND ACCOUNTING:

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

The Statements of Revenue, Expenditures and Changes in Fund Balance are statements of financial activities of the particular fund related to the current reporting period. Expenditures of the various funds frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization. The modified accrual basis of accounting is used for all governmental funds.

GOVERNMENTAL FUNDS - MAJOR

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

Building Fund –the Building Fund is a consolidation of four sub-funds:

1. Building Fund (Fund #210) – used to account for the construction and/or acquisition of major capital facilities. Income is from rental of unused sites.
2. Building Fund Series A (Fund #211) – used to account for the proceeds of Certificates of Participation and for acquisition, retro-fitting and operation of real property.
3. Building Fund Series B (Fund #212) – used to account for the proceeds of Certificates of Participation and the acquisition and operation of real property.
4. Bond Building Fund (Fund #213) – used to account for the proceeds of General Obligation Bonds and repairs and for construction of facilities.

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. FUND ACCOUNTING: (continued)

GOVERNMENTAL FUNDS – MAJOR (continued)

County School Facilities Fund – used to account for the School Facility Program grants awarded for modernization of Buena High School, Ventura High School, and the elementary sites. The County School Facilities Fund is a consolidation of three sub-funds.

GOVERNMENTAL FUNDS – NON-MAJOR

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

Bond Interest and Redemption Fund - used to collect taxes and pay for debt service associated with General Obligation Bonds.

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

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

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. FUND ACCOUNTING: (continued)

GOVERNMENTAL FUNDS – NON-MAJOR (continued)

5. Retiree Benefits Fund – used to account for future payments of health and welfare benefits.
6. Alternative Retiree Benefits Fund – used to account for future payments of the exempt governmental deferred compensation plan.

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

1. Capital Facilities Fund (Residential) – used to account for resources received from residential developer impact fees.
2. Capital Facilities Fund (Commercial) – used to account for resources received from commercial developer impact fees.
3. State School Building Lease-Purchase Fund – used to account for joint use construction for the Buena High School library.

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. FUND ACCOUNTING: (continued)

GOVERNMENTAL FUNDS – NON-MAJOR (continued)

FIDUCIARY FUNDS - used to account for monies received and expenditures made for specific purposes in each fund.

1. Foundation Private Purpose Trust Fund – is a consolidation of two subfunds:
 - a. David Graham and Stella Brittingham Memorial Scholarship Fund – used to award scholarships to students and/or graduates of Ventura Unified School District who have participated in aquatic sports.
 - b. Foundation Fund - used to account for donations of funds from private individuals and organizations.
2. Associated Student Body Funds - used to account for raising and expending money to promote the general welfare, morale and educational experiences of the student body organizations. The District operates eight organized Student Body Funds and three unorganized student body funds.

C. BASIS OF ACCOUNTING:

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

1. 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 in the County treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

2. Receivables

Receivables are generally recorded when the amount is earned and can be estimated. Per Education Code Section 33128.1, a local education agency may recognize for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year. In addition, Education Code Section 17584.1 suspended the required match for deferred maintenance for the fiscal year 2003-04; however, the District is still eligible for the State's matching share which has not been accrued as an accounts receivable in these financial statements.

3. Inventories

Inventories are presented at average cost. Inventories consist of expendable supplies held for consumption. At June 30, 2004, total supply inventory is \$276,299 and food inventory is \$83,563.

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

4. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Government-wide Statement of Net Assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB No. 34. 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.

All reported capital assets except for land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20-40 years
Furniture and Equipment	3-12 years
Vehicles	5-20 years

5. Deferred Revenue

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

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

6. Compensated Absences

In accordance with GASB Statement No. 16, accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities, if material, is recognized in the applicable fund at year-end. The entire compensated absences liability is reported on the government-wide financial statements.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave.

Accumulated employee sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

7. Long Term Obligations

The District reports long-term debt of governmental funds at face value in the government-wide financial statements. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

8. Fund Balance Reservations and Designations

Reservations of the ending fund balance indicate the portions of the fund balance not appropriable for expenditure. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period. Section 39 of AB 1754 provides that, for the 2003-04 fiscal year only, Districts may use up to 100 percent of their general fund and cafeteria fund restricted balances as of June 30, 2003 to mitigate the 1.2 percent reduction in revenue limits. However, Section 39 states that Districts may not use funds reserved for capital outlay, bond funds, sinking funds, or federal funds; or balances in the following programs: Special Education, Economic Impact Aid, Targeted Instructional Improvement Grants, Public School Accountability Act programs (II/USP and HPSGP), and Instructional Materials. The District did not utilize the flexibility transfer option.

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

9. 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 improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by donors, grantors or laws or regulations of other governments.

10. State Apportionments

Certain current year apportionments from the State are based upon various financial and statistical information of the previous year. Second period to annual corrections for revenue limits and other state apportionments (either positive or negative) are accrued at the end of the fiscal year. (See 1 C 2.)

11. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31.

Real and personal property tax revenues are reported in the same manner in which the County auditor records and reports actual property tax receipts to the Department of Education. This is generally on a cash basis. A receivable has not been recognized in the General Fund for property taxes due to the fact that any receivable is offset by a payable to the State for revenue limit purposes. Property taxes for debt service purposes cannot be estimated and have therefore not been accrued in the Government-wide financial statements.

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

12. On-Behalf Payments

GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers and Public Employees Retirement Systems on behalf of all school districts in California. However, a fiscal advisory was issued by the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments. The amount of on-behalf payments made for the District is estimated at \$2,500,000 for STRS and \$18,000 for PERS.

13. Estimates

The preparation of the financial statements in conformity with GAAP 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.

Due to the uncertainty of funding, the District has elected not to accrue a receivable for the State match of deferred maintenance funds. The State match will be recorded as revenue in the year received. The allowance is estimated at approximately \$640,000.

14. Contributed Services

Generally accepted accounting principles require that contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are to be recorded at fair value in the period received. Although the District receives numerous hours of volunteer time, it is not deemed necessary to record these hours on the books of the District based on the above guidelines. In addition, the District receives donations of immaterial equipment and supplies which are not recorded upon receipt.

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

D. REPORTING ENTITY:

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Education.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB Statement No. 14, The Financial Reporting Entity. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Based upon the requirements of GASB Statement No. 14, and as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the District, including their ongoing financial support the District or its other component units. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
2. The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

D. REPORTING ENTITY: (continued)

3. The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

Based upon the application of the criteria listed on the previous page, the following potential component unit has been included in the District's reporting entity:

The Ventura County Schools Public Financing Corporation – the financial activity has been blended in the District's Building Fund Series A and Building Fund Series B. Individually prepared financial statements are not prepared for the Corporation.

Based upon the application of the criteria listed on the previous page, the following potential component units have been excluded from the District's reporting entity:

The Ventura Unified School District Education Foundation - The Foundation is a separate not-for-profit corporation. The Foundation is not included as a Component Unit because the third criterion was not met; the economic resources received and held by the Foundation are not significant to the District. Separate financial statements for the Foundation may be obtained through the District.

Various PTA, PTO and Booster Clubs – Each of these types of organizations at each of the school sites within the District were evaluated using the three criterion listed above. Each entity has been excluded as a component unit because the third criterion was not met in all cases; the economic resources received and held by the PTA, PTO and the Booster Club individually are not significant to the District.

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 2 - BUDGETS:

By State law, the District's Governing Board must adopt a final budget no later than July 1, using the Single Adoption Budget process. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted in a basis consistent with GAAP.

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. The original and final revised budget for the General Fund is presented in a budgetary comparison schedule in the supplementary section.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

NOTE 3 – DEPOSITS AND INVESTMENTS:

A. Deposits

Cash at June 30, 2004 consisted of the following:

	<u>Statement of Net Assets</u>	<u>Statement of Fiduciary Net Assets</u>	<u>Total</u>
Deposits:			
Cash on hand and in banks	\$ 123,946	\$ 1,031,806	\$ 1,155,752
Cash in revolving fund	50,000		50,000
Cash with fiscal agent	1,475,076		1,475,076
Pooled Funds (not required to be categorized):			
Cash in County Treasury	34,808,914	170,079	34,973,993

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 3 – DEPOSITS AND INVESTMENTS: (continued)

A. Deposits: (continued)

Cash balances held in banks and in revolving funds are insured up to \$100,000 by the Federal Depository Insurance Corporation. Not all cash held by the financial institutions is insured or collateralized as presented in the following schedule.

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Ventura County Treasury (the County). The County pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost which approximates fair value. The fair market value of the District's deposits in this pool as of June 30, 2004, as provided by the pool sponsor, was \$34,797,734.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

	<u>Category*</u>			<u>Bank Balance</u>	<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Cash on hand and in banks	\$ 349,543	\$	\$1,326,719	\$1,676,262	\$1,155,752
Cash in revolving fund	34,022			34,022	50,000
Cash with fiscal agent	_____	_____	1,475,076	1,475,076	1,475,076
Total Deposits	<u>\$ 383,565</u>	<u>\$</u>	<u>\$2,801,795</u>	<u>\$3,185,360</u>	<u>\$2,680,828</u>

*Category 1 includes amounts that are insured or collateralized. Category 2 includes amounts that are insured or collateralized by the pledging financial institution's trust department or agent in the District's name. Category 3 includes amounts that are insured or collateralized but not in the District's name.

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 3 – DEPOSITS AND INVESTMENTS: (continued)

B. Investments

Government Code Section 16430 allows governmental entities to invest surplus moneys in certain eligible securities. The District did not violate any provisions of the Government Code during the 2003-04 fiscal year, nor were they involved in any reverse repurchase agreements during 2003-04.

Investments with Fiscal Agent at June 30, 2004, held on behalf of the Ventura County Schools Public Financing Corporation, are presented below:

Uncategorized Investments:

Guaranteed Investment Contracts (GIC)	\$ <u>454,087</u>
---------------------------------------	-------------------

NOTE 4 - INTERFUND TRANSACTIONS:

Interfund activity has been eliminated in the Government-wide statements as required by GASB No. 34. The following balances and transactions are reported in the fund financial statements.

A. Interfund Receivables/Payables

Individual interfund receivable and payable balances at June 30, 2004 are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$1,353,157	\$ 82,065
Special Revenue Funds:		
Adult Education Fund	25,973	407,055
Cafeteria Fund	42,213	839,174
Child Development Fund		90,029
Retiree Benefits Fund	53,547	

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 4 - INTERFUND TRANSACTIONS: (continued)

A. Interfund Receivables/Payables (continued)

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Capital Projects Funds:		
Building Fund (Series A)		2,215
Building Fund (Series B)	2,215	
Bond Building Fund	13,878	2,079,022
Capital Facilities Fund		59,864
County School Facilities Fund	2,011,415	
State School Building Lease-Purchase Fund	67,607	
Fiduciary Fund:		
Foundation Fund		10,581
Totals	<u>\$3,570,005</u>	<u>\$3,570,005</u>

B. Interfund Transfers

Interfund transfers for the 2003-04 fiscal year are as follows:

Transfer from General Fund to Deferred Maintenance Fund for State matching funds	\$ 200,000
Transfer from General Fund to Retiree Benefit Fund and the Alternative Retiree Benefit Fund for prefunding	4,000,000
Transfer from Adult Education Fund to the Building Fund (Series A) to pay for Certificates of Participation debt service	447,995
Transfer from Building Fund to Bond Building Fund for the repayment of Stanley Property purchase	3,500,000
Transfer from Capital Facilities Fund (Commercial) to Building Fund for temporary loan	550,000

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 4 - INTERFUND TRANSACTIONS: (continued)

B. Interfund Transfers (continued)

Transfer from County School Facilities Fund to the Bond Building Fund for Return of unused match dollars at close of project	200,582
Transfer from Bond Building Fund to State School Building Fund for capital project expenditures	77,499
Transfer from Bond Building Fund to County School Facilities Fund for required District match	4,434,415
Transfer from Retiree Benefit Fund and the Alternative Retiree Benefit Fund to the General Fund for expenditures	5,438,403
Transfer from Capital Facilities Fund (Residential and Commercial) to General Fund to pay for developers' fees administration	59,864
Transfer from Foundation Trust Fund to the General Fund For contributions to various programs	<u>166,469</u>
Total	<u>\$19,075,227</u>

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 6 - FUND BALANCES - RESERVED/RESTRICTED/DESIGNATED:

The following amounts were reserved by the Board of Education for the special purposes below:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Revolving cash	\$ 50,000	\$
Stores inventory	276,299	83,563
Prepaid expenditures	<u>3,206</u>	<u> </u>
Total	<u>\$329,505</u>	<u>\$ 83,563</u>

The following amounts were legally restricted for the special purposes below:

Major Funds:

General Fund:

Gifted and Talented Education	\$ 38,063
Tenth Grade Counseling	24,208
Medi-Cal	519,443
Restricted Lottery	561,126
English Language Acquisition Program	133,583
School Safety	18,082
Instructional Materials Realignment Program	74,271
AB 115 – Instructional Materials/Staff Buyout	
One-Time Per-Pupil Block Grant	2,694
Educational Technology – Staff Development	49,662
Governor’s Book Fund	55
FEMA	15,467
Cal Safe Support Service	11,360
School Library Act	84,167
Infant Program	142,439
Educational Technology	1,135
High School – Instructional Materials Fund	3,011
PAR	92
Principals’ Training	<u>11,900</u>
Total	<u>\$1,690,758</u>

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 6 - FUND BALANCES - RESERVED/RESTRICTED/DESIGNATED: (continued)

Non-Major Funds:

Child Development Fund:

Child Care Reserve Fund \$ 170,373

Fiduciary Funds:

David Graham Scholarship Fund

Scholarships \$ 33,081

Foundation Fund

Ventura Education Partnership 131,606

Total Fiduciary \$ 164,687

The following amounts were designated by the Board of Education for the special purpose below:

Major Funds:

General Fund:

Economic Uncertainties \$3,663,116

Gray Family Trust 28,345

AB 3488 1,591

\$3,693,052

Building Fund:

Future Capital Projects:

Building Fund \$ 805,417

Building Fund (Series A) 2,265,635

Building Fund (Series B) 600,937

Bond Building Fund 5,753,851

Total \$9,425,840

County School Facilities Fund:

Modernization Projects \$8,516,933

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 6 - FUND BALANCES - RESERVED/RESTRICTED/DESIGNATED: (continued)

Non-Major Funds:

Special Revenue Funds:

Adult Education Fund:

Economic Uncertainties \$ 280,167

Cafeteria Fund:

Economic Uncertainties 140,000

Improvement to kitchen 125,000

Deferred Maintenance Fund:

Five Year Plan 371,582

Special Reserve Fund for Retiree Benefits

Retiree Benefits 2,622,740

Alternative Retiree Benefits 670,354

Capital Projects Funds:

Capital Facilities (Residential):

Future Capital Improvement Projects 3,980,891

Capital Facilities (Commercial):

Future Capital Improvement Projects 209,808

State School Building Lease-Purchase Fund 1

Total \$8,400,543

NOTE 7 - TAX REVENUE ANTICIPATION NOTES:

The District issued \$5,000,000 of Tax Revenue Anticipation Notes dated July 3, 2003. The notes included interest at a rate of 2.00% and matured on July 6, 2004. The notes were sold by the District to supplement its cash flow.

Repayment requirements were that \$2,000,000 plus interest in February 2004, \$500,000 plus interest in both March 2004 and April 2004, and \$2,000,000 plus interest in May 2004 be deposited with U.S. Bank Trust, N.A., (the "Trustee"). The total amount of interest paid was \$100,833. All deposits were made with the Trustee on a timely basis and, therefore, the liability is defeased and therefore not shown on the financial statements at June 30, 2004.

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 8 – LOAN PAYABLE:

On June 20, 2000 the District entered into a loan agreement in the amount of \$121,673 with the State of California under the Child Care Facilities Revolving Fund Program. The proceeds of which were used for the purchase and installation of a new relocatable building for the preschool program. The outstanding debt and annual repayment requirements at June 30, 2004 are as follows:

<u>Year Ending June 30,</u>	<u>Payment</u>
2005	\$ 12,167
2006	12,167
2007	12,167
2008	12,167
2009	12,167
2010-2012	<u>35,367</u>
Total	96,202
Less Amount Representing Interest	<u>0</u>
Net Loan Payable	<u>\$ 96,202</u>

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 9 - BONDED DEBT - GENERAL OBLIGATION BONDS:

In June 1997, the voters approved the issuance of bonds, not to exceed \$81 million, for the purpose of raising money to finance the acquisition, construction and modernization of school facilities and paying related costs.

During March 2004, Series A and D general obligation bonds were re-financed for a total of \$23,180,000. The proceeds associated with the refunding are held in trust with a value at June 30, 2004 of \$23,671,505. These bonds are considered fully defeased and are not recorded on the financial statements. The difference in cash flow requirements related to this refunding amounted to a savings of approximately \$1,179,650. The present value of the economic gain to the District amounts to approximately \$762,572. These savings result in a re-calculation of the collections and payments towards bond payoffs and are included in the consolidated schedule noted below.

The outstanding bonded debt of the Ventura Unified School District at June 30, 2004 is:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2003</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2004</u>
8/15/1997 A	Various	8/1/2027	\$10,000,000	\$ 9,290,000	\$	\$9,290,000	\$ 0
6/23/1998 B	Various	8/1/2028	10,000,000	9,370,000		185,000	9,185,000
6/29/1999 C	Various	2/1/2030	10,000,000	9,565,000		175,000	9,390,000
6/01/2000 D	Various	2/1/2031	12,500,000	12,280,000		12,280,000	0
6/11/2001 E	Various	2/1/2032	12,500,000	12,360,000		190,000	12,170,000
7/11/2002 F	Various	8/1/2032	10,000,000	10,000,000		115,000	9,885,000
7/21/2003 G	Various	8/1/2033	6,000,000		6,000,000		6,000,000
3/03/2004	Various	8/1/2030	<u>23,180,000</u>		<u>23,180,000</u>		<u>23,180,000</u>
			<u>\$94,180,000</u>	<u>\$62,865,000</u>	<u>\$29,180,000</u>	<u>\$22,235,000</u>	<u>\$69,810,000</u>

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 9 - BONDED DEBT - GENERAL OBLIGATION BONDS: (continued)

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2004, are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 1,455,000	\$ 2,618,774	\$ 4,073,774
2006	1,485,000	3,193,591	4,678,591
2007	1,545,000	3,118,194	4,663,194
2008	1,600,000	3,042,357	4,642,357
2009	1,655,000	2,970,502	4,625,502
2010-2014	9,335,000	13,810,808	23,145,808
2015-2019	11,540,000	11,653,903	23,193,903
2020-2024	14,710,000	8,532,345	23,242,345
2025-2029	18,130,000	4,419,125	22,549,125
2030-2034	<u>8,355,000</u>	<u>719,914</u>	<u>9,074,914</u>
Totals	<u>\$69,810,000</u>	<u>\$54,079,513</u>	<u>\$123,889,513</u>

NOTE 10 - CERTIFICATES OF PARTICIPATION:

The District entered into a certificates of participation agreement dated April 24, 2003. The proceeds of \$5,835,000, after payment of costs and establishment of reserves, have been used in part to refund the District's Certificates of Participation Series 1994A and in part will be used to finance the renovation of school facilities.

The Series 1994A Certificates of Participation were re-financed for a total of \$2,360,000. The proceeds associated with the refunding were held in trust until the extinguishment of the debt occurred in August 2003.

The Ventura County Schools Public Facilities Financing Corporation acts as a purchaser and lessor of the property and U.S. Bank acts as trustee and disbursing agent. At June 30, 2004, the District had \$454,129 available with the Trustee for repayment. The principal amount due at June 30, 2004 is \$5,410,000.

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 10 - CERTIFICATES OF PARTICIPATION: (continued)

Lease Payments - Lease payments are required to be made by the District under the lease each April 1 for use and possession of the property for the period commencing April 1, 2003 and terminating April 1, 2022. Lease payments will be funded in part from the proceeds of the certificates.

Principal and interest payments (twice per year) are to be made according to the following schedule:

<u>Year Ending</u> <u>April 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 205,000	\$ 243,094	\$ 448,094
2006	210,000	237,354	447,354
2007	215,000	230,740	445,740
2008	220,000	223,322	443,322
2009	230,000	215,182	445,182
2010-2014	1,305,000	928,266	2,233,266
2015-2019	1,640,000	605,086	2,245,086
2020-2022	<u>1,385,000</u>	<u>153,854</u>	<u>1,538,854</u>
	<u>\$5,410,000</u>	<u>\$2,836,898</u>	<u>\$8,246,898</u>

The interest ranges from 2.00% to 5.18%.

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 11 – LONG-TERM DEBT – SCHEDULE OF CHANGES:

A schedule of changes in long-term debt for the year ended June 30, 2004 is shown below.

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2004</u>
General obligation bonds	\$62,865,000	\$29,180,000	\$22,235,000	\$69,810,000
Certificates of participation	5,610,000		200,000	5,410,000
Loan payable	96,202			96,202
Accrued vacation	<u>727,063</u>		<u>87,538</u>	<u>639,525</u>
Totals	<u>\$69,298,265</u>	<u>\$29,180,000</u>	<u>\$22,522,538</u>	<u>\$75,955,727</u>

NOTE 12 – CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES:

Capital asset activity for the year ended June 30, 2004 is shown below.

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2004</u>
Land	\$ 12,966,730	\$ 4,815	\$ 174,069	\$ 12,797,476
Building and improvements	167,356,096	25,218,213		192,574,309
Machinery, equipment and vehicles	<u>4,475,563</u>	<u>200,505</u>	<u>235,129</u>	<u>4,440,939</u>
Totals at historical cost	<u>184,798,389</u>	<u>25,423,533</u>	<u>409,198</u>	<u>209,812,724</u>
Less accumulated depreciation for:				
Building and improvements	34,197,633	4,632,113		38,829,746
Machinery, equipment and vehicles	<u>2,592,812</u>	<u>347,974</u>	<u>118,707</u>	<u>2,822,079</u>
Total accumulated depreciation	<u>36,790,445</u>	<u>4,980,087</u>	<u>118,707</u>	<u>41,651,825</u>
Governmental activities capital assets, net	<u>\$148,007,944</u>	<u>\$20,443,446</u>	<u>\$ 290,491</u>	<u>\$168,160,899</u>

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 13 - EMPLOYEE RETIREMENT PLANS:

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS).

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the 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, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2003-04 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 13 - EMPLOYEE RETIREMENT PLANS: (continued)

Public Employees' Retirement System (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 Law. CalPERS issues a separate report that includes required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2003-04 was 10.42% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

Contributions to STRS and PERS

The District's contributions to STRS and PERS for each of the last three fiscal years is as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>STRS</u>		<u>PERS</u>	
	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2002	\$4,430,830	100%	\$	100%
2003	4,664,684	100%	557,374	100%
2004	4,663,235	100%	2,088,400	100%

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 14 - RETIREE BENEFITS:

Retirement Plan Prior to June 30, 1993:

Ventura Unified School District Certificated and Classified employees, retired from the District as of June 30, 1993, are entitled to Health and Welfare benefits based on status at the time of retirement. As of June 30, 2004, the District had 531 retired employees covered under the plan at a cost of \$4,510,359 for the fiscal year 2003-04, which is included in the Retiree Benefits Fund expenditures. The cost for 2004-05 is expected to be \$4,627,000. An actuarial study was conducted to estimate the liability of the revised retirement plan. The estimated present value as of July 1, 2002 was \$57,921,459.

Deferred Compensation Plan:

A deferred compensation plan was established effective July 1, 1993. Eligible employees, employed as of April 28, 1993, may receive \$1,500 per year of service (plus one year) as of June 30, 1993 to a maximum of 30 years. The employee must retire under PERS or STRS with Ventura Unified School District to be eligible. This amount is payable in five equal annual installments. New employees are not eligible for the program. At June 30, 2004 the District had 142 retired employees covered under the plan. The cost attributable to this program in 2003-04 was \$928,044, and \$587,469 is expected to be the cost in 2004-05. An actuarial study was conducted to estimate the liability of the deferred compensation plan. The estimated present value as of July 1, 2002 was \$7,659,112 for all eligible employees of this plan. The total estimated liability for known eligible employees at June 30, 2004, for the next four years is expected to be \$1,289,194.

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 15 - JOINT POWERS AGREEMENTS:

The Ventura Unified School District participates in two joint powers agreement (JPA) entities: the Ventura County Schools Self-Funding Authority (the Authority) and the Gold Coast Joint Benefits Trust (the Trust). The Authority provides workers' compensation, property and liability insurance, boiler and machinery and fidelity bond coverages among other types of insurance. The member districts are subject to various deductible amounts in addition to payment of premiums assessed by the Authority. The Authority pools responsibility for claims up to certain limits and provides high level umbrella type coverage above its retention limits. The Trust arranges for health and welfare benefits for employees and retirees of participating school districts and their eligible dependents. Member districts pay a monthly premium per eligible participant.

Each JPA is independently accountable for its fiscal matters and is governed by a board consisting of representatives from each member District. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPAs.

The relationships between the Ventura Unified School District and the JPAs are such that none of the JPAs is a component unit of the Ventura Unified School District for financial reporting purposes.

Condensed financial information for the most current year ended is as follows:

	The Authority (Unaudited) <u>June 30, 2004</u>	The Trust (Unaudited) <u>June 30, 2004</u>
Total Assets	\$ 27,171,277	\$ 10,031,198
Total Liabilities	<u>51,421,106</u>	<u>4,534,802</u>
Total Fund Balance	\$(<u>24,249,829</u>)	\$ <u>5,496,396</u>
Total Revenues	\$ <u>22,069,618</u>	\$ <u>45,604,698</u>
Total Expenditures	\$ <u>33,074,434</u>	\$ <u>46,308,964</u>

(See Note 16 H for additional information.)

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 16 - COMMITMENTS AND CONTINGENCIES:

A. State and Federal Allowances, Awards, and Grants

The District has received State and Federal funds for specific purposes, including reimbursement of mandated costs, that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

B. State School Building Lease-Purchase Fund and County School Facilities Fund

The District is currently involved in several construction and modernization projects funded through the Office of Public School Construction. These projects are subject to future audits by the State, which may result in other adjustments to the fund.

C. Construction Commitments

As of June 30, 2004, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$13 million. Projects will be funded through Bond Proceeds, State School Building Lease-Purchase Grants, Capital Facilities Funds and County School Facilities Grants.

D. Sale of Property – Hails Property

In December 2002, the District entered into an escrow agreement to sell the Hails Property for a total of \$33,500,000. The funds will be deposited in the Building Fund and are to be used for capital improvement/acquisition projects. The estimated closing date of this escrow agreement is March, 2005.

E. Sale of Property – Arcade

As of June 30, 2004, the District was committed under a sale agreement to sell a portion of the Arcade site for \$1,000,000. The funds will be deposited in the Building Fund and are to be used for capital improvement/acquisition projects. The closing date of this escrow agreement is November 11, 2004.

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 16 - COMMITMENTS AND CONTINGENCIES: (continued)

F. Sale of Property – Santa Clara

As of June 30, 2004, the District was committed under a sale agreement to sell the Santa Clara site for \$10.5 million. The funds will be deposited in the Building Fund and are to be used for capital improvement/acquisition projects. The estimated closing of this escrow agreement is anticipated to occur in October, 2005.

G. Joint Use Project

In June 2002, the District entered into an agreement with the City of San Buenaventura (the City) and the Redevelopment Agency of the City of San Buenaventura (the Agency) on a joint use project. The terms of the agreement include the commitment of the District to appropriate up to \$3,000,000 in proceeds from the future disposition of the Hail site for construction of a City/District community swimming pool and amenities. In addition, the City and Agency agree to share with the District the tax increment generated from the future redevelopment of the Santa Clara site. The City, Agency and District has jointly marketed the sale of the property. The City will be reimbursed up to \$100,000 for actual cost of staffing a project development team for the Santa Clara site.

H. Contingent Liability – VCSFA JPA

As described in Note 15, the District is one of twenty-two members in the Ventura County Schools Self-Funding Authority. This JPA provides self insurance for workers' compensation, property and liability coverage. As noted in Note 15, the JPA has a negative fund balance amounting to \$(24,249,829). This deficit increased significantly from the prior year. Although the JPA has been able to meet the current cash flow obligations of the entity, the overall financial situation reports a significant deficit. Due to the fact that upon dissolution, the Ventura Unified School District could receive a pro-rata share of any liability, there may be a future liability associated with this deficit. In addition, it is possible that future rates will significantly increase in an attempt to reduce or eliminate this deficit. The amount of any related liability or increased expense has not been estimated.

VENTURA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(Continued)

NOTE 17 - SUBSEQUENT EVENT:

A. Tax Revenue Anticipation Notes

The District issued \$5,945,000 of Tax Revenue Anticipation Notes dated July 6, 2004. The notes include interest at a rate of 3.0% and mature on July 6, 2005. The notes were sold by the District to supplement its cash flow.

The District is required to deposit \$2,378,000 plus interest in February 2005, \$1,783,500 plus interest in March 2005 and \$1,070,100 plus interest in April 2005 and \$713,400 plus interest in May 2005 with the Trustee.

B. General Obligation Bonds

The District sold \$5,000,000 General Obligation Bonds, 1997 Election, Series G on July 1, 2004. The bonds were sold with an interest rate ranging from 4.0% to 7.0% and mature in 2034. The bonds were sold to finance the construction of schools, to replace old portable buildings, for technology infrastructure and for modernization and renovation.

C. GASB Statement No. 45

The Governmental Accounting Standards Board (GASB) has recently issued Statement No. 45 outlining new accounting standards for governmental agencies regarding other post-employment benefits. The statement would be effective for the District in fiscal year 2007-08. The statement requires governmental agencies to record and disclose the actuarially determined cost based on the benefits expected to be earned by employees in the future, as well as those benefits the employees have already earned. Annual required contributions shall include the employer's normal cost and a provision(s) for amortizing the total unfunded actuarial accrued liability for a period not to exceed 30 years. The statement also requires that an actuarial valuation be performed every two years for a plan with more than 200 members and every three years for plans with fewer than 200 members.

SUPPLEMENTARY INFORMATION SECTION

VENTURA UNIFIED SCHOOL DISTRICT

HISTORY AND ORGANIZATION

June 30, 2004

The Ventura Unified School District was formed effective July 1, 1966 as the result of a unification election held March 16, 1966 and action of the Ventura County Board of Supervisors at the meeting held March 30, 1966. The unified district encompasses the former Ventura Union High School District and its former component elementary districts, namely the Avenue, Mill Union, Mound, Buena Ventura School Districts and the Arnaz portion of the Nordhoff Union School District. The District includes an area of approximately 165 square miles, including the City of Ventura and surrounding area, in the western most portion of Ventura County.

The District operates eight pre-schools, seventeen elementary schools, four middle schools, three high schools, three continuation high schools, two independent study schools, one opportunity school and one adult education school.

The Board of Education and the District Administrators for the fiscal year ended June 30, 2004 were as follows:

BOARD OF EDUCATION

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Mr. Cliff Rodrigues	President	December 31, 2005
Mrs. Debbie Golden	Vice President	December 31, 2007
Mr. John Walker	Member	December 31, 2005
Mrs. Velma Lomax	Member	December 31, 2005
Mrs. Barbara Fitzgerald	Member	December 31, 2007

DISTRICT ADMINISTRATORS

Dr. Trudy Tuttle-Arriaga	Superintendent
Mr. Joseph Richards, Jr.	Assistant Superintendent, Business Services
Mr. Jeff Chancer	Assistant Superintendent, Educational Services
Dr. Richard Morrison	Assistant Superintendent, Human Resources

VENTURA UNIFIED SCHOOL DISTRICT

MAJOR BUILDING SUB-FUNDS
COMBINING BALANCE SHEET

June 30, 2004

	<u>Building Fund</u>	<u>Building Fund (Series A)</u>	<u>Building Fund (Series B)</u>	<u>Bond Building Fund</u>	<u>Total (Memorandum Only)</u>
Assets					
Cash in county treasury	\$ 1,306,986	\$ 420,090	\$ 692,385	\$ 8,501,508	\$ 10,920,969
Cash with fiscal agent		1,475,076			1,475,076
Investment with fiscal agent		454,087			454,087
Accounts receivable:					
Miscellaneous	68,316	1,586	15,113	36,722	121,737
Due from other funds			2,215	13,878	16,093
Total Assets	<u>\$ 1,375,302</u>	<u>\$ 2,350,839</u>	<u>\$ 709,713</u>	<u>\$ 8,552,108</u>	<u>\$ 12,987,962</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 569,885	\$ 82,989	\$ 108,776	\$ 719,235	\$ 1,480,885
Due to other funds		2,215		2,079,022	2,081,237
Total Liabilities	<u>569,885</u>	<u>85,204</u>	<u>108,776</u>	<u>2,798,257</u>	<u>3,562,122</u>
Fund Balances					
Designated for special purposes	805,417	2,265,635	600,937	5,753,851	9,425,840
Total Fund Balances	<u>805,417</u>	<u>2,265,635</u>	<u>600,937</u>	<u>5,753,851</u>	<u>9,425,840</u>
Total Liabilities and Fund Balances	<u>\$ 1,375,302</u>	<u>\$ 2,350,839</u>	<u>\$ 709,713</u>	<u>\$ 8,552,108</u>	<u>\$ 12,987,962</u>

See the accompanying notes to the supplementary information.

VENTURA UNIFIED SCHOOL DISTRICT

**MAJOR BUILDING SUB-FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2004**

	<u>Building Fund</u>	<u>Building Fund (Series A)</u>	<u>Building Fund (Series B)</u>	<u>Bond Building Fund</u>	<u>Total (Memorandum Only)</u>
Revenues					
Other local sources	\$ 935,087	\$ 37,829	\$ 300,953	\$ 148,081	\$ 1,421,950
Total Revenues	<u>935,087</u>	<u>37,829</u>	<u>300,953</u>	<u>148,081</u>	<u>1,421,950</u>
Expenditures					
Plant services	2,229,931	324,211	241,818	7,037,191	9,833,151
Debt service		447,995			447,995
Total Expenditures	<u>2,229,931</u>	<u>772,206</u>	<u>241,818</u>	<u>7,037,191</u>	<u>10,281,146</u>
Excess (deficiency) of revenues over expenditures	<u>(1,294,844)</u>	<u>(734,377)</u>	<u>59,135</u>	<u>(6,889,110)</u>	<u>(8,859,196)</u>
Other Financing Sources (Uses)					
Interfund transfers in	550,000	447,995		3,700,582	4,698,577
Proceeds from sales of land	4,497,921				4,497,921
Proceeds from sales of bonds				5,990,168	5,990,168
Proceeds from refunding bonds				24,056,923	24,056,923
Payment to refunded bond escrow agent				(23,671,504)	(23,671,504)
Interfund transfers out	<u>(3,500,000)</u>			<u>(4,511,914)</u>	<u>(8,011,914)</u>
Total Other Financing Sources (Uses)	<u>1,547,921</u>	<u>447,995</u>	<u>-</u>	<u>5,564,255</u>	<u>7,560,171</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	253,077	(286,382)	59,135	(1,324,855)	(1,299,025)
Fund Balances at Beginning of Year	<u>552,340</u>	<u>2,552,017</u>	<u>541,802</u>	<u>7,078,706</u>	<u>10,724,865</u>
Fund Balances at End of Year	<u>\$ 805,417</u>	<u>\$ 2,265,635</u>	<u>\$ 600,937</u>	<u>\$ 5,753,851</u>	<u>\$ 9,425,840</u>

See the accompanying notes to the supplementary information.

VENTURA UNIFIED SCHOOL DISTRICT

NON-MAJOR DEBT SERVICE FUND

BALANCE SHEET

June 30, 2004

	Bond Interest and Redemption Fund
<u>Assets</u>	
Cash in county treasury	\$ 4,557,459
Accounts receivable:	
Miscellaneous	<u>14,941</u>
Total Assets	<u>\$ 4,572,400</u>
<u>Liabilities and Fund Balances</u>	
Fund Balances	
Reserved for debt service	<u>\$ 4,572,400</u>
Total Fund Balances	<u>4,572,400</u>
Total Liabilities and Fund Balances	<u>\$ 4,572,400</u>

See the accompanying notes to the supplementary information.

VENTURA UNIFIED SCHOOL DISTRICT
NON-MAJOR DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2004

	Bond Interest and Redemption Fund
Revenues	
Other State sources	\$ 86,746
Other local sources	4,994,924
Total Revenues	5,081,670
 Expenditures	
Debt service	4,512,889
Total Expenditures	4,512,889
Excess of revenues over expenditures	568,781
 Fund Balances at Beginning of Year	4,003,619
Fund Balances at End of Year	\$ 4,572,400

See the accompanying notes to the supplementary information.

VENTURA UNIFIED SCHOOL DISTRICT

NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

June 30, 2004

	Adult Education Fund	Cafeteria Fund	Child Development Fund	Deferred Maintenance Fund	Retiree Benefits Fund	Alternative Retiree Benefits Fund	Total (Memorandum Only)
<u>Assets</u>							
Cash in county treasury	\$ 83,700	\$ 649,948	\$ 285,250	\$ 370,195	\$ 2,550,719	\$ 666,442	\$ 4,606,254
Cash on hand and in banks		123,946					123,946
Accounts receivable:							
Federal and State governments	353,645	894,156	23,000				1,270,801
Miscellaneous	327,253	62,765	4,439	1,387	18,474	3,912	418,230
Due from other funds	25,973	42,213			53,547		121,733
Inventories		83,563					83,563
Total Assets	\$ 790,571	\$ 1,856,591	\$ 312,689	\$ 371,582	\$ 2,622,740	\$ 670,354	\$ 6,624,527
<u>Liabilities and Fund Balances</u>							
Liabilities							
Accounts payable	\$ 58,760	\$ 195,760	\$ 5,757	\$	\$	\$	\$ 260,277
Due to other funds	407,055	839,174	90,029				1,336,258
Deferred revenue	44,589	105,259					149,848
Total Liabilities	510,404	1,140,193	95,786	-	-	-	1,746,383
Fund Balances							
Restricted for special purposes			170,373				170,373
Reserved for special purposes		83,563					83,563
Designated for special purposes	280,167	265,000		371,582	2,622,740	670,354	4,209,843
Undesignated		367,835	46,530				414,365
Total Fund Balances	280,167	716,398	216,903	371,582	2,622,740	670,354	4,878,144
Total Liabilities and Fund Balances	\$ 790,571	\$ 1,856,591	\$ 312,689	\$ 371,582	\$ 2,622,740	\$ 670,354	\$ 6,624,527

See the accompanying notes to the supplementary information.

VENTURA UNIFIED SCHOOL DISTRICT
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2004

	Adult Education Fund	Cafeteria Fund	Child Development Fund	Deferred Maintenance Fund	Retiree Benefits Fund	Alternative Retiree Benefits Fund	Total (Memorandum Only)
Revenues							
Revenue from revenue limit sources:							
State apportionment	\$ 3,553,035	\$ 1,226,066	\$	\$	\$	\$	\$ 4,779,101
Revenue from Federal sources	485,401	2,839,499	5,900				3,330,800
Revenue from other State sources	57,448	313,935	1,030,560	(101,368)			1,300,575
Revenue from local sources	<u>1,169,771</u>	<u>2,193,693</u>	<u>16,238</u>	<u>4,578</u>	<u>66,837</u>	<u>16,393</u>	<u>3,467,510</u>
Total Revenues	<u>5,265,655</u>	<u>6,573,193</u>	<u>1,052,698</u>	<u>(96,790)</u>	<u>66,837</u>	<u>16,393</u>	<u>12,877,986</u>
Expenditures							
Instruction	3,080,254		869,232				3,949,486
Instruction-related services	1,255,465		115,122				1,370,587
Pupil services	90,085	6,278,622					6,368,707
General administration	341,279	834,680	107,435				1,283,394
Plant services	<u>374,445</u>		<u>3,500</u>	<u>66,337</u>			<u>444,282</u>
Total Expenditures	<u>5,141,528</u>	<u>7,113,302</u>	<u>1,095,289</u>	<u>66,337</u>	<u>-</u>	<u>-</u>	<u>13,416,456</u>
Excess (deficiency) of revenues over expenditures	<u>124,127</u>	<u>(540,109)</u>	<u>(42,591)</u>	<u>(163,127)</u>	<u>66,837</u>	<u>16,393</u>	<u>(538,470)</u>
Other Financing Sources (Uses)							
Interfund transfers in				200,000	3,500,000	500,000	4,200,000
Interfund transfers out	<u>(447,995)</u>				<u>(4,510,359)</u>	<u>(928,044)</u>	<u>(5,886,398)</u>
Total Other Financing Sources (Uses)	<u>(447,995)</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>(1,010,359)</u>	<u>(428,044)</u>	<u>(1,686,398)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	(323,868)	(540,109)	(42,591)	36,873	(943,522)	(411,651)	(2,224,868)
Fund Balances at Beginning of Year	<u>604,035</u>	<u>1,256,507</u>	<u>259,494</u>	<u>334,709</u>	<u>3,566,262</u>	<u>1,082,005</u>	<u>7,103,012</u>
Fund Balances at End of Year	<u>\$ 280,167</u>	<u>\$ 716,398</u>	<u>\$ 216,903</u>	<u>\$ 371,582</u>	<u>\$ 2,622,740</u>	<u>\$ 670,354</u>	<u>\$ 4,878,144</u>

See the accompanying notes to the supplementary information.

VENTURA UNIFIED SCHOOL DISTRICT

NON-MAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET

June 30, 2004

	Capital Facilities Fund (Residential)	Capital Facilities Fund (Commercial)	State School Building Lease- Purchase Fund	Total (Memorandum Only)
<u>Assets</u>				
Cash in county treasury	\$ 4,512,526	\$ 213,095	\$ 46,382	\$ 4,772,003
Accounts receivable:				
Miscellaneous	23,041	1,901	512	25,454
Due from other funds			67,607	67,607
Total Assets	\$ 4,535,567	\$ 214,996	\$ 114,501	\$ 4,865,064
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 500,000	\$	\$ 114,500	\$ 614,500
Due to other funds	54,676	5,188		59,864
Total Liabilities	554,676	5,188	114,500	674,364
Fund Balances				
Designated for special purposes	3,980,891	209,808	1	4,190,700
Total Fund Balances	3,980,891	209,808	1	4,190,700
Total Liabilities and Fund Balances	\$ 4,535,567	\$ 214,996	\$ 114,501	\$ 4,865,064

See the accompanying notes to the supplementary information.

VENTURA UNIFIED SCHOOL DISTRICT
NON-MAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2004

	Capital Facilities Fund (Residential)	Capital Facilities Fund (Commercial)	State School Building Lease- Purchase Fund	Total (Memorandum Only)
Revenues				
Other local sources	\$ 1,901,139	\$ 183,121	\$ 2,090	\$ 2,086,350
Total Revenues	<u>1,901,139</u>	<u>183,121</u>	<u>2,090</u>	<u>2,086,350</u>
Expenditures				
Plant services	2,999,573	-	514,173	3,513,746
Total Expenditures	<u>2,999,573</u>	<u>-</u>	<u>514,173</u>	<u>3,513,746</u>
Excess (deficiency) of revenues over expenditures	<u>(1,098,434)</u>	<u>183,121</u>	<u>(512,083)</u>	<u>(1,427,396)</u>
Other Financing Sources (Uses)				
Interfund transfers in			77,499	77,499
Interfund transfers out	(54,676)	(555,188)	-	(609,864)
Total Other Financing Sources (Uses)	<u>(54,676)</u>	<u>(555,188)</u>	<u>77,499</u>	<u>(532,365)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(1,153,110)</u>	<u>(372,067)</u>	<u>(434,584)</u>	<u>(1,959,761)</u>
Fund Balances at Beginning of Year	<u>5,134,001</u>	<u>581,875</u>	<u>434,585</u>	<u>6,150,461</u>
Fund Balances at End of Year	<u>\$ 3,980,891</u>	<u>\$ 209,808</u>	<u>\$ 1</u>	<u>\$ 4,190,700</u>

See the accompanying notes to the supplementary information.

VENTURA UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY FUND NET ASSETS -
 PRIVATE PURPOSE TRUST FUNDS
 June 30, 2004

	David Graham Scholarship Fund	Foundation Fund	Total (Memorandum Only)
<u>Assets</u>			
Cash in county	\$ 32,955	\$ 137,124	\$ 170,079
Accounts receivable:			
Miscellaneous	126	5,687	5,813
Total Assets	33,081	142,811	175,892
<u>Liabilities</u>			
Accounts payable		624	624
Due to other funds		10,581	10,581
Total Liabilities	-	11,205	11,205
<u>Net Assets</u>			
Restricted for special purposes	33,081	131,606	164,687
Total Net Asstes	\$ 33,081	\$ 131,606	\$ 164,687

See the accompanying notes to the supplementary information.

VENTURA UNIFIED SCHOOL DISTRICT

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY FUND
NET ASSETS - PRIVATE PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2004**

	David Graham Scholarship Fund	Foundation Fund	Total (Memorandum Only)
Additions			
Revenue from local sources	\$ 1,998	\$ 180,081	\$ 182,079
Total Additions	1,998	180,081	182,079
Deductions			
Scholarships awarded	900		900
Other expenses		117,465	117,465
Interfund transfers out		166,469	166,469
Total Deductions	900	283,934	284,834
Changes in net assets	1,098	(103,853)	(102,755)
Net Assets at Beginning of Year	31,983	235,459	267,442
Net Assets at End of Year	\$ 33,081	\$ 131,606	\$ 164,687

See the accompanying notes to the supplementary information.

VENTURA UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND TYPES - ASSOCIATED STUDENT BODY FUNDS
COMBINING BALANCE SHEET

June 30, 2004

	Venura High School	Buena High School	Foothill Technology High School	Anacapa Middle School	DeAnza Middle School	Balboa Middle School
Assets						
Cash on hand and in banks	\$ 364,813	\$ 434,435	\$ 58,046	\$ 34,104	\$ 14,196	\$ 77,047
Inventory	7,074	10,214	579			336
Total Assets	\$ 371,887	\$ 444,649	\$ 58,625	\$ 34,104	\$ 14,196	\$ 77,383
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 1,185	\$ 7,484	\$	\$	\$	\$
Funds held in trust	297,430	307,882	37,376	4,571	6,434	18,824
Total Liabilities	298,615	315,366	37,376	4,571	6,434	18,824
Fund Balances						
Reserved for special purposes	7,074	10,214	579			336
Undesignated	66,198	119,069	20,670	29,533	7,762	58,223
Total Fund Balances	73,272	129,283	21,249	29,533	7,762	58,559
Total Liabilities and Fund Balances	\$ 371,887	\$ 444,649	\$ 58,625	\$ 34,104	\$ 14,196	\$ 77,383

See the accompanying notes to the supplementary information.

VENTURA UNIFIED SCHOOL DISTRICT
FIDUCIARY FUND TYPES - ASSOCIATED STUDENT BODY FUNDS
COMBINING BALANCE SHEET
June 30, 2004

	Elmhurst Elementary School	Cabrillo Middle School	Adult Education	Pacific Continuation High School	El Camino Continuation High School	Total (Memorandum Only)
<u>Assets</u>						
Cash on hand and in banks	\$ 11,843	\$ 17,201	\$ 15,116	\$ 2,005	\$ 3,000	\$ 1,031,806
Inventories		9,205				27,408
Total Assets	\$ 11,843	\$ 26,406	\$ 15,116	\$ 2,005	\$ 3,000	\$ 1,059,214
<u>Liabilities and Fund Balances</u>						
Liabilities						
Accounts payable	\$	\$	\$	\$	\$	\$ 8,669
Funds held in trust		15,033	13,193			700,743
Total Liabilities	-	15,033	13,193	-	-	709,412
Fund Balances						
Reserved for special purposes		9,205				27,408
Undesignated	11,843	2,168	1,923	2,005	3,000	322,394
Total Fund Balances	11,843	11,373	1,923	2,005	3,000	349,802
Total Liabilities and Fund Balances	\$ 11,843	\$ 26,406	\$ 15,116	\$ 2,005	\$ 3,000	\$ 1,059,214

See the accompanying notes to the supplementary information.

VENTURA UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUND TYPES - ASSOCIATED STUDENT BODY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2004**

	<u>Ventura High School</u>	<u>Buena High School</u>	<u>Foothill Technology High School</u>	<u>Anacapa Middle School</u>	<u>DeAnza Middle School</u>	<u>Balboa Middle School</u>
Revenues						
Revenue from Local Sources						
Athletics	\$ 153,769	\$ 182,330	\$	\$	\$	\$
Student body cards	16,560	24,425				
Student store / P.E. clothes	30,510	51,341	11,842			
Yearbook	70,495	85,460	28,209	18,418	8,885	25,774
Fundraising			18,068	20,917		154,329
Vending machines		26,881				
Social activities				4,089	315	
Interest		2,519	330	42	24	969
Other revenues	<u>37,017</u>	<u>29,910</u>	<u>75,223</u>	<u>32,800</u>	<u>16,204</u>	<u>43,204</u>
Total Revenues	<u>308,351</u>	<u>402,866</u>	<u>133,672</u>	<u>76,266</u>	<u>25,428</u>	<u>224,276</u>
Expenditures						
Services and Other Operating Expenditures						
Athletics	151,708	174,190				
Fundraising			15,503	3,487		134,392
Student store / P.E. clothes	38,888	36,791	9,957			
Yearbook	85,741	81,493	33,140	15,477	10,054	30,742
Social activities				3,351	2,971	
Vending machines		54				
Other expenditures	<u>37,367</u>	<u>75,457</u>	<u>74,198</u>	<u>54,739</u>	<u>13,934</u>	<u>67,734</u>
Total Expenditures	<u>313,704</u>	<u>367,985</u>	<u>132,798</u>	<u>77,054</u>	<u>26,959</u>	<u>232,868</u>
Excess (deficiency) of revenues over expenditures	(5,353)	34,881	874	(788)	(1,531)	(8,592)
Fund Balances at Beginning of Year	<u>78,625</u>	<u>94,402</u>	<u>20,375</u>	<u>30,321</u>	<u>9,293</u>	<u>67,151</u>
Fund Balances at End of Year	<u>\$ 73,272</u>	<u>\$ 129,283</u>	<u>\$ 21,249</u>	<u>\$ 29,533</u>	<u>\$ 7,762</u>	<u>\$ 58,559</u>

See the accompanying notes to the supplementary information.

VENTURA UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUND TYPES - ASSOCIATED STUDENT BODY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2004**

	<u>Elmhurst Elementary School</u>	<u>Cabrillo Middle School</u>	<u>Adult Education</u>	<u>Pacific Continuation High School</u>	<u>El Camino Continuation High School</u>	<u>Total (Memorandum Only)</u>
Revenues						
Revenue from Local Sources						
Athletics	\$	\$	\$	\$	\$	\$ 336,099
Student body cards						40,985
Student store / P.E. clothes		13,819				107,512
Yearbook		20,629			109	257,979
Fundraising	10,102	89,669		230	1,447	294,762
Vending machines						26,881
Social activities	8,552	571			1,872	15,399
Interest			231			4,115
Other revenues	8,188	24,693	4,251	4,578	653	276,721
Total Revenues	<u>26,842</u>	<u>149,381</u>	<u>4,482</u>	<u>4,808</u>	<u>4,081</u>	<u>1,360,453</u>
Expenditures						
Services and Other Operating Expenditures						
Athletics						325,898
Fundraising	5,762	72,889		83		232,116
Student store / P.E. clothes		17,403				103,039
Yearbook		22,454				279,101
Social activities	9,084	918			3,642	19,966
Vending machines						54
Other expenditures	1,740	35,615	4,482	3,356	1,436	370,058
Total Expenditures	<u>16,586</u>	<u>149,279</u>	<u>4,482</u>	<u>3,439</u>	<u>5,078</u>	<u>1,330,232</u>
Excess (deficiency) of revenues over expenditures	10,256	102		1,369	(997)	30,221
Fund Balances at Beginning of Year	<u>1,587</u>	<u>11,271</u>	<u>1,923</u>	<u>636</u>	<u>3,997</u>	<u>319,581</u>
Fund Balances at End of Year	<u>\$ 11,843</u>	<u>\$ 11,373</u>	<u>\$ 1,923</u>	<u>\$ 2,005</u>	<u>\$ 3,000</u>	<u>\$ 349,802</u>

See the accompanying notes to the supplementary information.

VENTURA UNIFIED SCHOOL DISTRICT

SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
Revenues				
Revenue limit sources:				
State apportionments	\$ 39,837,894	\$ 39,156,281	\$ 37,526,949	\$ (1,629,332)
Local sources	41,441,849	41,250,381	42,863,187	1,612,806
Total revenue limit sources	81,279,743	80,406,662	80,390,136	(16,526)
Federal sources	7,621,129	9,896,675	8,543,160	(1,353,515)
Other State sources	15,412,404	17,318,523	15,447,493	(1,871,030)
Other local sources	8,691,196	7,933,951	8,283,715	349,764
Total Revenues	<u>113,004,472</u>	<u>115,555,811</u>	<u>112,664,504</u>	<u>(2,891,307)</u>
Expenditures				
Certificated salaries	56,355,477	56,830,016	55,567,547	1,262,469
Classified salaries	18,271,803	18,207,978	17,957,939	250,039
Employee benefits	24,829,897	30,479,770	30,069,911	409,859
Books and supplies	5,316,441	7,358,327	5,133,649	2,224,678
Services and other operating expenses	6,403,067	8,780,128	8,101,263	678,865
Capital outlay	42,400	256,590	256,096	494
Tuition and other outgo	1,785,000	2,217,000	2,036,005	180,995
Debt service	-	-	12,167	(12,167)
Direct support - indirect cost	(1,108,711)	(1,233,013)	(1,230,697)	(2,316)
Total Expenditures	<u>111,895,374</u>	<u>122,896,796</u>	<u>117,903,880</u>	<u>4,992,916</u>
Excess (deficiency) of revenues over expenditures	<u>1,109,098</u>	<u>(7,340,985)</u>	<u>(5,239,376)</u>	<u>2,101,609</u>
Other Financing Sources (Uses)				
Interfund transfers in	177,240	5,767,319	5,664,736	(102,583)
Interfund transfers out	(4,500,000)	(4,000,000)	(4,200,000)	(200,000)
Total Other Financing Sources (Uses)	<u>(4,322,760)</u>	<u>1,767,319</u>	<u>1,464,736</u>	<u>(302,583)</u>
Net change in fund balance	<u>\$ (3,213,662)</u>	<u>\$ (5,573,666)</u>	<u>(3,774,640)</u>	<u>\$ 1,799,026</u>
Fund Balance at Beginning of Year			<u>11,658,979</u>	
Fund Balance at End of Year			<u>\$ 7,884,339</u>	

See the accompanying notes to the supplementary information.

VENTURA UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)

For the Fiscal Year Ended June 30, 2004

The requirements governing ADA, admission of pupils, types of schools, recording and reporting of pupil attendance, and similar matters are controlled by provisions of the Education Code and by regulations of the California Department of Education.

ADA statistics reported to the State for the fiscal year ended June 30, 2004 are as follows:

	<u>Revised Second Period</u>	<u>Revised Annual</u>
Elementary:		
Kindergarten	1,167	1,174
First through third grade	3,708	3,709
Fourth through eighth grade	6,548	6,550
Home or hospital - temporary physical disabilities	1	1
Special education master plan	281	283
Special education – non-public, non-sectarian schools	4	4
Extended year special education - mandated	15	15
Extended year special education-non-public, non-sectarian	1	1
Opportunity schools and full-day opportunity classes	<u>10</u>	<u>11</u>
Total elementary ADA	<u>11,735</u>	<u>11,748</u>
Secondary:		
Regular classes	4,750	4,704
Continuation education	242	245
Home or hospital - temporary physical disabilities	2	2
Special education master plan	104	105
Special education – non-public, non-sectarian schools	7	7
Extended year special education - mandated	5	5
Extended year special education-non-public, non-sectarian	2	2
Opportunity schools and full-day opportunity classes	<u>14</u>	<u>13</u>
Total secondary ADA	<u>5,126</u>	<u>5,083</u>
Adult Education:		
Concurrently enrolled	42	44
Not concurrently enrolled	<u>1,470</u>	<u>1,589</u>
Total adult education ADA	<u>1,512</u>	<u>1,633</u>
 Total ADA	 <u>18,373</u>	 <u>18,464</u>

<u>Hourly Programs</u>	<u>Hours of Attendance</u>
Elementary	157,120
Secondary	168,578

See the accompanying notes to the supplementary information.

VENTURA UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME OFFERED
For the Fiscal Year Ended June 30, 2004

<u>Grade Level</u>	<u>1986-87 Minutes Requirement</u>	<u>1982-83 Actual Minutes</u>	<u>2003-04 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	31,500	36,000	180	In Compliance
Grade 1 to 3	50,400	42,060	50,555	180	In Compliance
Grade 4 to 8	54,000	51,595	54,110	180	In Compliance
Grade 9 to 12	64,800	64,642	65,310	180	In Compliance

See the accompanying notes to the supplementary information.

VENTURA UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2004

PROGRAM NAME	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
Federal Categorical Aid Programs:			
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>			
National School Lunch Program	10.555	03396	\$ 1,944,257
National School Breakfast Program	10.553	03988	8,531
Especially Needy Breakfast Program	10.553	03526	762,442
Summer Food Service Program for Children	10.559	03526	124,269
Nutrition Network	10.561	(1)	190,457
<u>U.S. DEPARTMENT OF EDUCATION:</u>			
No Child Left Behind Act			
Title I	84.010	03799	2,971,546
Title II - Education for Economic Security Act	84.281	03207	22,006
Title II - Improving Teacher Quality	84.367	14341	759,268
Title II - Part D	84.318	(1)	155,646
Title III - Limited English Proficiency Student Program	84.365	10084	153,407
Title IV - Safe and Drug Free Schools	84.184	10007	157,136
Title V - Innovative Education Program Strategies	84.298A	14345	50,992
Title VII - Emergency Immigrant Education Program	84.162	13159	189,030
Migrant Education	84.011	03239	242,278
Migrant Education - Even Start	84.214	10030	15,170
Special Education			
PL 94-142	84.027	03143	2,145,105
Infant Discretionary	84.027	03612	10,695
Low Incidence	84.027	03459	4,061
Preschool Local Entitlement	84.027	03682	262,649
Federal Class Size Reduction	84.340A	03073	74,291
Carl D. Perkins Vocational and Technical Education	84.048	03570	145,348
Indian Education	84.060	N/A	315,566
Pell Grant	84.063	N/A	146,340
Federal Direct Loans	84.268	N/A	162,518
Transition Partnership	84.158	10006	298,584
Adult Basic Education	84.002	13973	137,836
Federal Schools Renovation Classroom Technology	84.352A	14318	9,593
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>			
CCDF Disc-Infant/Toddler Care	93.575	03942	2,142
Child Development Pre K Quality Curriculum Materials	93.575	24486	3,758
Medi-Cal	93.773	10013	737,976
Total Federal Programs			<u>\$ 12,202,897</u>
Reconciliation to Federal Revenue			
Total Federal Program Expenditures			\$ 12,202,897
Revenues in excess of expenditures related to Federal entitlement			
Program Medi-Cal			<u>(328,937)</u>
Total Federal Program Revenue			<u>\$ 11,873,960</u>

See the accompanying notes to the supplementary information.

VENTURA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004

There were no differences between the fund balances reported on the June 30, 2004 Annual Financial and Budget Report for the governmental funds and the audited financial statements.

See the accompanying notes to the supplementary information.

VENTURA UNIFIED SCHOOL DISTRICT

SUMMARY OF THE OFFICE OF CRIMINAL JUSTICE PLANNING GRANT
For the Fiscal Year Ended June 30, 2004

Gang Violence Suppression Program
Multi-Component Model
Grant Number GV0107956

July 1, 2003
to

June 30, 2004

Revenues

State program	\$43,570
District match	<u>4,841</u>
Total Revenue	<u>\$48,411</u>

Expenditures

State Program:	
Personnel services	\$42,561
Operating expenditures	<u>1,009</u>
Total State Funded Expenditures	<u>43,570</u>

District Match:

Personnel services	4,302
Operating expenditures	<u>539</u>
Total District In-Kind Match	<u>4,841</u>
Total Expenditures	<u>\$48,411</u>

See the accompanying notes to the supplementary information.

VENTURA UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For the Fiscal Year Ended June 30,

	2005 (Budgeted) (2)		2004		2003		2002	
	Amount	%	Amount	%	Amount	%	Amount	%
<u>GENERAL FUND:</u>								
<u>Revenue</u>								
Revenue limit sources	\$ 83,937,810	69.8	\$ 80,390,136	65.8	\$ 81,894,565	70.9	\$ 79,006,431	69.9
Federal	8,875,855	7.4	8,543,160	7.0	7,887,973	6.8	6,558,729	5.8
State	15,095,723	12.6	15,447,493	12.7	15,508,916	13.4	19,074,042	16.9
County and local	8,000,384	6.7	8,283,715	6.8	9,575,761	8.3	8,877,655	7.9
Interfund transfers	1,994,500	1.7	5,664,736	4.6	32,826	0.0	580,114	0.5
Total Revenue	117,904,272	98.1	118,329,240	96.9	114,900,041	99.5	114,096,971	100.9
<u>Expenditures</u>								
Certificated salaries	\$ 55,803,895	46.4	55,567,547	45.5	56,345,353	48.8	54,849,789	48.5
Classified salaries	17,996,820	15.0	17,957,939	14.7	18,235,496	15.8	18,116,465	16.0
Employee benefits	31,528,844	26.2	30,069,911	24.6	22,379,351	19.4	19,462,243	17.2
Books and supplies	5,143,152	4.3	5,133,649	4.2	4,619,977	4.0	7,224,106	6.4
Services and other operating expenses	7,966,153	6.6	8,101,263	6.6	6,868,084	5.9	6,840,487	6.0
Capital outlay	64,000	0.1	256,096	0.2	1,649,705	1.4	1,131,928	1.0
Interfund transfers	751,000	0.6	4,200,000	3.4	4,630,000	4.0	4,680,000	4.1
Other uses	2,142,000	1.8	2,036,005	1.7	1,636,561	1.4	1,873,368	1.7
Debt service payments			12,167	0.0	12,167	0.0	4,198	0.0
Direct support/indirect costs	(1,160,691)	(1.0)	(1,230,697)	(1.0)	(937,058)	(0.8)	(1,091,720)	(1.0)
Total Expenditures	120,235,173	100.0	122,103,880	100.0	115,439,636	100.0	113,090,864	100.0
Change in Fund Balance	\$ (2,330,901)	(1.9)	\$ (3,774,640)	(3.1)	\$ (539,595)	(0.5)	\$ 1,006,107	0.9
Ending Fund Balance	\$ 5,553,438	4.6	\$ 7,884,339	6.5	\$ 11,658,979	10.1	\$ 12,198,574	10.8
General Fund Available								
Reserve Balance (1)	\$ 4,217,244	3.5	\$ 5,834,140	4.8	\$ 8,271,218	7.2	\$ 6,632,490	5.9
Recommended Reserve Percentage		3.0		3.0		3.0		3.0
Average Daily Attendance								
P-2, Excluding Adult Education	16,862		16,861		16,838		16,405	
Total Long-Term Debt	\$ 79,283,560		\$ 75,955,727		\$ 69,298,265		\$ 60,484,409	

IMPORTANT NOTES:

All Percentages are of total expenditures.

(1) Available reserves are those amounts designated for economic uncertainty, and any other remaining undesignated fund balance from the General Fund.

(2) Original Budget was adopted on June 22, 2004

See the accompanying notes to the supplementary information.

VENTURA UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
For the Fiscal Year Ended June 30, 2004**

Ventura Unified School District is not the granting agency for any Charter Schools.

See the accompanying notes to the supplementary information.

VENTURA UNIFIED SCHOOL DISTRICT

**NOTES TO SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2004**

NOTE 1 - PURPOSE OF SCHEDULES:

A. Combining Financial Statements

Combining balance sheets and statements of revenues, expenditures and changes in fund balance have been presented for the major building fund, non-major funds and fiduciary funds to provide additional information to the users of these financial statements. These statements have been prepared using the basis of accounting described in the notes to financial statements.

B. Schedule of Budgetary Comparison For The General Fund

GASB Statement No. 34 requires a budgetary comparison be presented for the general fund and for each major special revenue fund that has a legally adopted annual budget. This schedule presents the General Fund budget as originally adopted, the revised budget as of the fiscal year end, actual amounts at fiscal year end and the variance between the final budget and actual amounts. There were no major special revenue funds.

C. Schedule of Average Daily Attendance

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

D. 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.

E. Schedule of Expenditures of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. To comply with A-133, this schedule was prepared for the District and is presented on the modified accrual basis of accounting.

VENTURA UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2004

(Continued)

NOTE 1 - PURPOSE OF SCHEDULES: (continued)

F. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the SACS Form to the audited financial statements.

G. Summary of the Office of Criminal Justice Planning Grants

The schedule was prepared in order to provide information required in the Grantee Handbook of the Office of Criminal Justice Planning for all grants received by the District.

H. Schedule of Financial Trends and Analysis

The State Controller's Office requires that this report be prepared showing financial trends of the General Fund over the past three fiscal years as well as the current year budget. This report is intended to identify if the District has potential fiscal problems and if they have met the recommended available reserve percentages.

I. Schedule of Charter Schools

The State Controller's Office requires that this schedule list all charter schools chartered by the District and inform the users whether or not the charter school information is included in the District's financial statements.

VENTURA UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2004

(Continued)

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

Excesses of expenditures over appropriations, by major object accounts, occurred in the following governmental funds:

Major Funds:

General Fund:

Interfund transfers out	\$ 200,000
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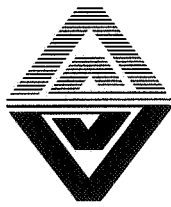
Building Fund:

Employee benefits	85
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Non-Major Fund

Adult Education:

Services and other expenses	70,451
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Chairman

ROYCE A. STUTZMAN

Partners

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SHARI PROSSER

GEMA M. PTASINSKI

COLLEEN K. TAYLOR

DEAN WEST

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

Board of Education
Ventura Unified School District
255 West Stanley Avenue
Ventura, California 93001

We have audited the financial statements of the governmental activities each major fund, and the aggregate remaining fund information of Ventura Unified School District (the District) as of and for the year ended June 30, 2004 which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 23, 2004. 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 Ventura Unified School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Ventura Unified School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs.



**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**

(Continued)

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ventura 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 non-compliance or other matters that are required to be reported under Government Auditing Standards.

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

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

September 23, 2004



Chairman

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

Board of Education
Ventura Unified School District
255 West Stanley Avenue
Ventura, California 93001

Compliance

We have audited the compliance of Ventura 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, 2004. Ventura Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Ventura Unified School District's management. Our responsibility is to express an opinion on Ventura 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 Ventura 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 on Ventura Unified School District's compliance with those requirements.



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

(Continued)

In our opinion, Ventura 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, 2004. The results of our auditing procedures disclosed no instances of noncompliance with these requirements that are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

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

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

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

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

September 23, 2004



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REPORT ON STATE COMPLIANCE

Principal

JERI A. WENGER

Senior Managers

TIMOTHY D. EVANS
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 COLLEEN K. TAYLOR
 DEAN WEST

Board of Education
 Ventura Unified School District
 255 West Stanley Avenue
 Ventura, California 93001

We have audited the basic financial statements of the Ventura Unified School District, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 23, 2004.

Our audit was made in accordance with auditing standards generally accepted in the United States of America, the standards for financial and compliance audits contained in Government Auditing Standards, issued by the U. S. General Accounting Office, and the State Controller's Standards and Procedures for Audits of California K-12 Local Educational Agencies. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

<u>Description</u>	<u>Procedures in Controller's Audit Guide</u>	<u>Procedures Performed</u>
Attendance accounting:		
Attendance reporting	6	Yes
Kindergarten continuation	3	Yes
Independent study	22	Yes
Continuation education	10	Yes
Adult education	9	Yes
Regional occupational center/programs	6	Not applicable



REPORT ON STATE COMPLIANCE

(Continued)

<u>Description</u>	<u>Procedures in Controller's Audit Guide</u>	<u>Procedures Performed</u>
Instructional time and staff development reform program	7	Yes
Incentives for longer instructional day:		
School Districts	4	Yes
County Offices of Education	3	Not applicable
GANN limit calculation	1	Yes
Early retirement incentive program	4	Not applicable
Community day schools	9	Not applicable
Class size reduction program:		
General requirements	7	Yes
Option 1	3	Yes
Option 2	4	Not applicable
One school serving K-3	4	Not applicable
State instructional materials fund:		
General requirements	9	Yes
Grades K-8 only	1	Yes
Grades 9-12 only	1	Yes
Ratios of administrative employees to teachers	1	Yes
Office of Criminal Justice Planning	-	No (see below)

The District did not participate in the Early Retirement Incentive Program; therefore, the compliance procedures are not applicable. The District had two options under which to implement class size reduction; the District exercised Option One, therefore, audit procedures for Option Two were not performed.

The District did not receive a grant directly from the Office of Criminal Justice Planning (OCJP) therefore, the District is not responsible for the grant audit. The audit will be performed by the pass-through agency auditors.

Based on our audit, we found that, for the items tested, the Ventura Unified School District complied with the laws and regulations of the state programs referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Ventura Unified School District had not complied with the laws and regulations of state programs and requirements.

REPORT ON STATE COMPLIANCE

(Continued)

This report is intended solely for the information and use of the Board, management, the California Department of Education, and the State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.

Vicenti, Lloyd & Stutzman LLP
VICENTI, LLOYD & STUTZMAN LLP

September 23, 2004

VENTURA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2004

Financial Statements

Type of auditor's report issued: Unqualified

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

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

Type of auditor's report issued on compliance for
 major programs: Unqualified

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.002	Adult Basic Education
84.060	Indian Education
84.010	Title I
84.268, 84.063	Student Financial Aid
84.365	Title III Limited English Proficiency
10.561	Nutrition Network

Dollar threshold used to distinguish between Type A
 and Type B programs: \$ 366,087

Auditee qualified as low-risk auditee? X Yes No

VENTURA UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS

June 30, 2004

Per Assembly Bill 3627, all audit findings must be identified as one or more of the following six categories:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
50000	Federal Compliance
60000	Miscellaneous

FINDING 04-01 – ATTENDANCE

10000

Findings: We reviewed supporting documentation for various hourly programs. Programs showed differences between the hours reported on the annual attendance report and the hours calculated during the audit for various summer school programs at Sheridan Way and Ventura High School. For the programs and classes tested, we noted the following: K-12 Core Programs were over-reported by 58 hours, Low Star programs were underreported by 112 hours, 2-9 Pupil Promotion and Retention programs were over-reported by 11 hours and 2-7 Remedial Programs was underreported by 57 hours. We believe the differences are a result of clerical errors. Based on the significant amount of clerical errors noted, we did not expand our testing for these sites but recommended below that the District perform a full review of these sites. No errors were noted for the other sites tested.

Questioned Costs: Net effect of funding for errors noted based on programs caps and deficit when applicable is \$42.23 over-reported.

Recommendations: Due to the significant number of errors noted, the District should conduct a full review of the hours calculated for Sheridan Way and Ventura High School programs and submit an amended annual attendance report to the State. The District should also review procedures for collecting and summarizing hourly program data to ensure the clerical accuracy of data reported.

District Response: We have begun a full review of the hours calculated for the Sheridan Way Elementary and Ventura High programs. Upon completion of the review we will submit an amended annual attendance report to the State. In order to prevent this problem from re-occurring we have developed new processes and procedures that include more detailed and comprehensive worksheets for the staff responsible for reporting hours.

VENTURA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS
June 30, 2004

(Continued)

FINDING 04-02 – ASSOCIATED STUDENT BODY FUNDS- **30000**
CASH RECEIPTS

Findings: Based on testing performed, we noted the following deficiencies: Three out of ten sample cash receipts do not show a clear audit trail from the collection to the deposit of the money collected. (Foothill Technology High School)

Questioned Costs: Not applicable

Recommendations:

Cash collections should be supported with ticket sales reports, copies of checks, listing of students who paid, or other forms of documentation that provides evidence of money collected.

District Response: Steps have already been implemented to ensure that there is adequate documentation to provide a clear audit trail from the point of collection. The ASB bookkeeper at Foothill has given a presentation to the staff to explain what documentation is required to back up any money that is collected. The District accountant will review a sample of receipts at each periodic site visit at Foothill to determine if there is adequate documentation for cash receipts. Additional follow up and instruction will occur if any deficiencies are found.

VENTURA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2004

There were no findings and questioned costs related to federal awards for fiscal year 2003-04.

VENTURA UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2004

Original Finding No.	Finding	Code	Recommendation	Current Status
03-1	<u>ASSOCIATED STUDENT BODY FUNDS</u>	30000		
	Based on testing performed, we noted the following deficiencies:			
	<u>Cash Receipts</u>		<u>Cash Receipts</u>	
	1) Recommendations to prepare budgets and revenue potentials for fundraisers has not been implemented. (Cabrillo Middle School and Foothill Technology High School)		1) As a budgeting tool and a confirmation of revenues received, revenue potential forms should be prepared prior to any fundraising activity and actual results should then be compared to projections.	Implemented.
	2) Four out of ten sample cash receipts do not show a clear audit trail from the collection to the deposit of the money collected. (Foothill Technology High School)		2) Cash collections should be supported with ticket sales report, copies of checks, listing of students who paid, or other forms of documentation that evidences money being collected.	Not Implemented. See current year finding 04-02.
	<u>Cash disbursements</u>		<u>Cash disbursements</u>	
	1) Nine out of ten samples tested did not have the proper authorization on the Authorization to Purchase/Approve Purchase Order form. There was an inconsistent use of PO's. We noted a small amount had an approved PO while a larger amount did not have one. In addition, two of ten samples tested could not be traced to the council minutes as being approved by the Student Council. (Foothill Technology High School)		1) The site should establish guidelines for use of PO's and implement it consistently. In addition, the State handbook on Accounting for Procedures for Student Organizations requires all disbursement from the student body funds be approved by the student council prior to the issuance of the check. All ASB activities should be approved by the Student Council and noted in the council minutes before a check is written.	Implemented.
	2) Invoices do not clearly indicate that goods/services have been received (Balboa Middle School)		2) The individual who receives the goods should verify that all items have been received and sign the packing slip or invoice that it is approved for payment	Implemented.

VENTURA UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2004

Original Finding No.	Finding	Code	Recommendation	Current Status
03-1	<u>ASSOCIATED STUDENT BODY FUNDS</u> (continued)	30000		
	<u>Deficit Ending Fund Balance</u>		<u>Deficit Ending Fund Balance</u>	
	The ASB's ending fund balance was not adequate to support reserve requirements. This occurred because the inventory level at year end of \$14,327 was higher than the total fund balance of \$11,271. The net effect is a deficit undesignated balance of \$(3,056). (Cabrillo Middle School)		We recommend that a plan, including the use of budgets and revenue potentials, be implemented to monitor the ASB's spending activity, particularly at year end, to ensure adequate funds are available to support reserve requirements.	Implemented.