

**LAS VIRGENES UNIFIED  
SCHOOL DISTRICT  
AUDIT REPORT  
For the Fiscal Year Ended  
June 30, 2017**



**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*For the Fiscal Year Ended June 30, 2017*

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***Financial Section***

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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Las Virgenes Unified School District  
Calabasas, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Las Virgenes Unified School District, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Las Virgenes Unified School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, budgetary comparison information on page 50, schedule of funding progress on page 51, schedule of proportionate share of the net pension liability on page 52, and schedule of pension contributions on page 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 57 to 60 and the schedule of expenditures of federal awards on page 61 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on page 56 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California  
November 13, 2017

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2017*

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This discussion and analysis of Las Virgenes Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's combined fund balances increased by \$1.8 million, primarily due to increases in the General Fund due to one-time state funds offset by ongoing construction projects.
- The District's overall financial status declined from last year, as the net position decreased by 3.8% to \$(31.8) million for governmental activities. This change is primarily due to increases in the pension liabilities outstanding for the District.
- The total cost of basic programs was \$138.6 million. Because a portion of these costs were paid for with charges, fees, and intergovernmental aid, the net cost that required taxpayer funding was \$119.7 million.
- Average daily attendance (grades K-12) increased by 142, or 1.3%.

**NET PENSION LIABILITY**

The implementation of GASB 68 during the 2014-15 fiscal year has caused the District to record a liability, deferred inflows and deferred outflows, in the government-wide financial statements. These items are related to the CalSTRS and CalPERS pension plans, which the District is required to participate. As a participating employer in these pension plans, the District must now report its proportionate share of the plans' unfunded liabilities. However, the District's required contributions to the plans are not determined by the District. Rather, the contributions are set by legislation or the pension plan itself. The proportionate share percentage is determined by comparing the District's contributions to the plan against total plan contributions. This liability is described further in Note 11 to the financial statements.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two 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 than the district-wide statements.
  - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
  - Short and long-term financial information about the activities of the District that operate like businesses (enterprise funds) are provided in the *proprietary fund statements*.
  - *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.



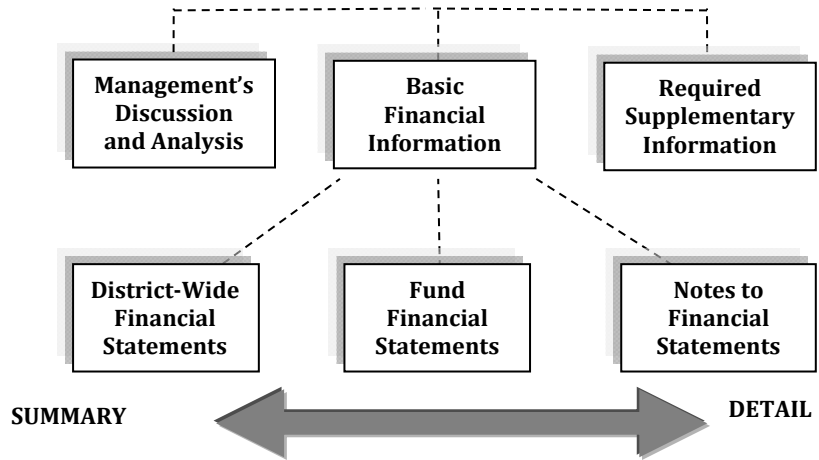
**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
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*For the Fiscal Year Ended June 30, 2017*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**Figure A-1. Organization of Las Virgenes Unified School District's Annual Financial Report**

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2017*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2. Major Features of the District-Wide and Fund Financial Statements**

<b>Type of Statements</b>	<b>District-Wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities of the District that operate like a business, such as self-insurance funds and food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures &amp; Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses &amp; Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2017*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**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 position 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 position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position 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 nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *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 aid finance most of these activities.

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

The District has three 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 on a separate reconciliation page that explains the relationship (or differences) between them.
- *Proprietary funds* – Proprietary funds use full accrual basis of accounting. Enterprise funds are considered business-type activities and are reported under a full accrual method. This is the same basis as business-type activities; therefore, no reconciling entries are required.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, namely, 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 position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
For the Fiscal Year Ended June 30, 2017

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position.** The District's combined net position was lower on June 30, 2017, than it was the year before – decreasing 3.8% to \$(31.8) million (See Table A-1).

**Table A-1**

	Governmental Activities		Variance Increase (Decrease)	Business-Type Activities	
	2017	2016		2017	2016
Current assets	\$ 79,228,951	\$ 75,588,626	\$ 3,640,325	\$ 791,557	\$ 665,238
Capital assets, net of depreciation	213,359,327	217,999,051	(4,639,724)	59,263	67,135
Total assets	292,588,278	293,587,677	(999,399)	850,820	732,373
Total deferred outflows	1,860,080	1,245,566	614,514	-	-
Current liabilities	16,899,018	15,466,844	1,432,174	176,980	155,226
Long-term liabilities	219,206,344	222,639,335	(3,432,991)	-	-
Net pension liability	105,712,483	89,507,849	16,204,634	-	-
Total liabilities	341,817,845	327,614,028	14,203,817	176,980	155,226
Net position					
Net investment in capital assets	68,136,646	67,601,131	535,515	59,263	67,135
Restricted	29,710,479	28,905,547	804,932	614,577	510,012
Unrestricted	(39,504,129)	(39,779,614)	275,485	-	-
Total net position, before net pension liability	58,342,996	56,727,064	1,615,932	\$ 673,840	\$ 577,147
Amounts related to the net pension liability					
Deferred outflows	23,754,650	14,518,380	9,236,270		
Net pension liability	(105,712,483)	(89,507,849)	(16,204,634)		
Deferred inflows	(8,190,518)	(12,379,092)	4,188,574		
Total net position	\$ (31,805,355)	\$ (30,641,497)	\$ (1,163,858)		

**Changes in net position, governmental activities.** The District's total revenues increased 1.6% to \$137.5 million (See Table A-2). The increase is due primarily to state budget increases.

The total cost of all programs and services increased 6.6% to \$138.6 million. The District's expenses are predominantly related to educating and caring for students, 79.0%. The purely administrative activities of the District accounted for just 3.8% of total costs. A significant contributor to the increase in costs was due to increases in staffing costs and related benefits.

**Table A-2: Statement of Activities**

	Governmental Activities		Variance Increase (Decrease)
	2017	2016	
<b>Revenues</b>			
Program Revenues:			
Charges for services	\$ 961,991	\$ 1,712,669	\$ (750,678)
Operating grants and contributions	17,971,440	17,862,298	109,142
General Revenues:			
Property taxes	66,352,569	62,671,149	3,681,420
Federal and state aid not restricted	45,180,826	45,866,871	(686,045)
Other general revenues	6,997,216	7,203,918	(206,702)
<b>Total Revenues</b>	<b>137,464,042</b>	<b>135,316,905</b>	<b>2,147,137</b>
<b>Expenses</b>			
Instruction-related	100,028,797	93,593,115	6,435,682
Pupil services	9,549,608	8,729,194	820,414
Administration	5,321,209	5,149,261	171,948
Plant services	10,565,912	10,002,209	563,703
All other activities	13,162,374	12,597,878	564,496
<b>Total Expenses</b>	<b>138,627,900</b>	<b>130,071,657</b>	<b>8,556,243</b>
Increase (decrease) in net position	\$ (1,163,858)	\$ 5,245,248	\$ (6,409,106)

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2017*

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**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$62.7 million, which is above last year's ending fund balance of \$60.9 million. The primary cause of the increased fund balance is to a surplus in the General Fund due to one-time state funds offset by ongoing capital projects.

**Table A-3: The District's Fund Balances**

Fund	Fund Balances				June 30, 2017
	July 1, 2016	Revenues	Expenditures	Other Sources and (Uses)	
General Fund	\$ 26,404,882	\$ 118,703,183	\$ 114,824,036	\$ (635,000)	\$ 29,649,029
Deferred Maintenance Fund	990,514	6,455	1,000,339	635,000	631,630
Building Fund	9,381,301	89,165	2,243,294	-	7,227,172
Capital Facilities Fund	7,281,017	907,768	803,039	185,001	7,570,747
Bond Interest and Redemption Fund	16,801,728	17,512,145	17,059,371	350,417	17,604,919
	<u>\$ 60,859,442</u>	<u>\$ 137,218,716</u>	<u>\$ 135,930,079</u>	<u>\$ 535,418</u>	<u>\$ 62,683,497</u>

**General Fund Budgetary Highlights**

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by \$4.5 million primarily due to revised state budget estimates.
- Salaries and benefits costs – increased by \$2.1 million due to changes in collective bargaining agreements.

While the District's final budget for the General Fund anticipated that revenues would exceed expenditures by about \$0.9 million, the actual results for the year show that revenues exceeded expenditures by roughly \$3.9 million. Actual revenues were \$1.6 million more than anticipated, and expenditures were \$1.3 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2017, that will be carried over into the 2017-18 budget.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2016-17, the District had invested \$4.0 million in new capital assets, related to the District's facility program. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year exceeded \$8.6 million.

**Table A-4: Capital Assets at Year-End, net of depreciation**

	Governmental Activities		Variance Increase (Decrease)
	2017	2016	
Land	\$ 14,853,507	\$ 14,853,507	\$ -
Land improvements	4,355,200	4,880,366	(525,166)
Buildings	192,076,756	194,213,930	(2,137,174)
Equipment	1,743,828	2,008,253	(264,425)
Construction in progress	330,036	2,042,995	(1,712,959)
Total	<u>\$ 213,359,327</u>	<u>\$ 217,999,051</u>	<u>\$ (4,639,724)</u>

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2017*

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**CAPITAL ASSET AND DEBT ADMINISTRATION (continued)**

**Long-Term Debt**

At year-end the District had approximately \$324.9 million in general obligation bonds, certificates of participation, compensated absences, early retirement incentives, and employment benefits – an increase of 4.1% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

**Table A-5: Outstanding Long-Term Debt at Year-End**

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>2017</b>	<b>2016</b>	
General obligation bonds	\$ 193,398,675	\$ 199,068,039	\$ (5,669,364)
Certificates of participation	11,235,523	10,829,938	405,585
Compensated absences	931,051	987,472	(56,421)
Early retirement incentive	436,000	218,900	217,100
Other postemployment benefits	13,205,095	11,534,986	1,670,109
Net pension liability	105,712,483	89,507,849	16,204,634
<b>Total</b>	<b>\$ 324,918,827</b>	<b>\$ 312,147,184</b>	<b>\$ 12,771,643</b>

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

The Governor signed the 2017-18 *Budget Act* and other budget-related bills on June 27, 2017.

**Proposition 98**

**Overview**

State budgeting for schools and community colleges is based primarily on Proposition 98, approved by voters in 1988 and amended in 1990. In this section, we provide an overview of Proposition 98 changes under the enacted budget package.

***Proposition 98 Establishes Minimum Spending Level***

Proposition 98 establishes a minimum spending requirement commonly called the minimum guarantee. The minimum guarantee is determined by three main formulas (known as tests) and various inputs, including General Fund revenue, per capita personal income, and K-12 attendance. The state can spend at the minimum guarantee or any level above it. Spending above the minimum guarantee one year typically becomes part of the base for calculating the minimum guarantee the next year. If the minimum guarantee increases after budget enactment due to updated inputs, the state owes a "settle-up" obligation. In some years, the state also creates or pays "maintenance factor." Maintenance factor is created when General Fund revenue is weak relative to per capita personal income and is paid when General Fund revenue is stronger.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2017*

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**FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)**

**Proposition 98 (continued)**

**Overview (continued)**

***2015-16 and 2016-17 Minimum Guarantees Down but Total Spending Up Slightly***

The 2015-16 minimum guarantee has decreased \$379 million due to lower-than-expected General Fund revenue. Proposition 98 spending that year, however, has increased \$53 million due to various minor adjustments involving the Local Control Funding Formula (LCFF) and community college apportionments. The 2016-17 minimum guarantee has decreased \$558 million, again due to lower estimates of General Fund revenue. Proposition 98 spending that year has decreased by \$484 million, but total spending, including a settle-up payment of \$514 million, is up slightly (\$29 million) from the June 2016 level. The settle-up payment allows the state to cover some 2016-17 LCFF costs using funds set aside for Proposition 2 (2014) debt payments. In both 2015-16 and 2016-17, Proposition 98 spending is above the calculated minimum guarantees.

***2017-18 Spending Up \$3.1 Billion Over Revised 2016-17 Level***

In 2017-18, total spending across all segments is \$74.5 billion, an increase of \$3.1 billion (4.4 percent) from the revised 2016-17 level. For 2017-18, the state funds at the estimate of the minimum guarantee. This estimate builds upon the higher levels of spending provided in 2015-16 and 2016-17. (Had the state not funded above the guarantee in those two years, the 2017-18 guarantee would have been \$542 million lower.) Test 2 is the operative test in 2017-18, with the change in the guarantee attributable to a 3.7 percent increase in per capita personal income and a 0.05 percent decline in K-12 attendance. The increase in the guarantee also reflects a maintenance factor payment of \$536 million. Under the administration's estimates, the state would end 2017-18 with an outstanding maintenance factor obligation of \$900 million.

***About One-Third of Increase Covered With Higher Property Tax Revenue***

Of the total Proposition 98 spending provided in 2017-18, \$52.6 billion is state General Fund and \$21.9 billion is local property tax revenue. From 2016-17 to 2017-18, state General Fund increases \$2.1 billion (accounting for about two-thirds of the \$3.1 billion increase in spending) and property tax revenue increases by \$1 billion. The primary factor explaining the growth in property tax revenue is the projected 5.3 percent growth in assessed property values, which is similar to the average growth rate over the past 20 years. Regarding local revenue associated with the dissolution of redevelopment agencies, the budget plan assumes a net increase of \$31 million. This consists of a \$131 million increase in the ongoing revenue shifted to schools and community colleges, offset by a \$100 million decrease in revenue from the sale of assets formerly owned by redevelopment agencies.

***Spending Package Reduces Outstanding Settle-Up Obligation by \$603 Million***

The budget plan includes a \$603 million settle-up payment related to meeting the 2009-10 minimum guarantee. This payment reduces the state's outstanding settle-up obligation from slightly above \$1 billion to \$440 million. Of the \$603 million provided, the budget plan allocates \$514 million for covering 2016-17 LCFF costs, \$86 million for the community college guided pathways initiative, and \$3 million for the Career Technical Education Incentive Grant program. The state budget package scores all of the settle-up spending as a Proposition 2 debt payment.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2017*

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**FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)**

**Proposition 98 (continued)**

**K-12 Education**

***\$64.7 Billion Proposition 98 Funding for K-12 Education in 2017-18***

The budgeted 2017-18 level is \$2.7 billion (4.3 percent) more than revised 2016-17 level and \$2.2 billion (3.6 percent) more than the 2016-17 *Budget Act* level. The budget increases funding per student by \$450 (4.3 percent) over the 2016-17 *Budget Act* level, bringing Proposition 98 funding per student up to \$10,863.

***Package Includes Mix of Ongoing and One-Time Spending***

The budget includes \$2.4 billion in augmentations for K-12 education. Of these augmentations, \$1.5 billion are ongoing increases and \$933 million are one-time initiatives. In addition to these changes, the budget package includes \$328 million in one-time initiatives funded from other sources. (Of this amount, \$325 million is from Proposition 98 reversion dollars and \$3 million is from a settle-up payment. Of the reversion dollars, \$114 million is for a fund swap primarily relating to special education.) The budget also authorizes \$593 million from Proposition 51 (2016) general obligation bond proceeds for school facilities.

**General Purpose Funding**

***Accelerates Implementation of LCFF for School Districts and Charter Schools***

The budget provides an additional \$1.4 billion ongoing Proposition 98 funding for this purpose, bringing total LCFF funding for school districts and charter schools to \$57.4 billion, a 2.7% increase over the revised 2016-17 level. The administration estimates this funding will result in the LCFF-target level being 97 percent-funded. School districts and charter schools may use LCFF monies for any educational purpose.

***Funds One-Time Discretionary Grants***

The largest one-time augmentation for K-12 education is \$877 million that local education agencies (LEAs) may use for any educational purpose. Funding is distributed based on average daily attendance (\$147 per ADA). If an LEA has unpaid mandate claims, funding counts toward those claims. As most LEAs do not have any such claims, we estimate only about one-third (\$268 million) of the funding will end up reducing the K-12 mandates backlog. We estimate the K-12 mandates backlog will be \$799 million at the end of 2017-18.

**Other Changes**

***Specifies Use of Remaining Proposition 39 Funds and Extends Energy-Efficiency Programs Indefinitely***

The budget provides \$423 million Proposition 98 funding for energy-efficiency projects at schools and community colleges. This reflects the fifth and final year of Proposition 39 (2012) funding. Trailer legislation, however, extends the date for schools to use this funding by one year, to June 30, 2019, and sets rules for how any remaining uncommitted funds are to be used. The first \$75 million in remaining funds is earmarked for school districts and COEs to replace or retrofit school buses. Priority is given to LEAs having the oldest buses, serving disadvantaged communities, or serving high shares of low-income students. The next \$100 million is earmarked for a competitive grant program to provide K-12 LEAs with low- and no-interest loans for energy projects. Any funding still remaining is to be distributed as grants to K-12 LEAs according to Proposition 39 rules. The trailer legislation also extends the Proposition 39 energy-efficiency programs for K-12 and CCC LEAs beginning in 2018-19, contingent upon funds being made available through the annual budget act or other statute.



**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2017*

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**FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)**

**Proposition 98 (continued)**

**School Facilities**

***Provides First Installment of Proposition 51 Bond Funding for School Facilities***

Passed by the voters in November 2016, Proposition 51 authorizes the state to sell \$9 billion in general obligation bonds—\$7 billion for schools and \$2 billion for community colleges. The state plans to issue \$593 million of these bonds for K-12 facility projects in 2017-18. This would fully fund the state's list of \$368 million in already approved facility projects, as well as \$225 million in additional projects.

***Establishes New Audit Rules***

Trailer legislation shifts audit responsibilities for state-funded school facility projects from the Office of Public School Construction to local independent auditors. Moving forward, the local auditors are to review facility expenditures to ensure that they comply with the rules of the state's School Facilities Program. In June 2017, the State Allocation Board also enacted a regulatory change requiring districts to sign grant agreements prior to receiving state funding that specify allowable project expenditures.

All of these factors were considered in preparing the Las Virgenes Unified School District budget for the 2017-18 fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and 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 any questions about this report or need additional financial information, contact Karen Kimmel, Assistant Superintendent of Business Services, at Las Virgenes Unified School District, 4111 N. Las Virgenes Road, Calabasas, California, 91302 or by calling (818) 878-5203.

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Statement of Net Position

June 30, 2017

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash	\$ 72,580,270	\$ 682,051	\$ 73,262,321
Accounts receivable	5,959,637	68,818	6,028,455
Inventories	112,175	34,973	147,148
Prepaid expenses	576,869	5,715	582,584
Non-depreciable assets	15,183,543	-	15,183,543
Depreciable assets	307,933,217	529,382	308,462,599
Less, accumulated depreciation	(109,757,433)	(470,119)	(110,227,552)
Total assets	<u>292,588,278</u>	<u>850,820</u>	<u>293,439,098</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	23,754,650	-	23,754,650
Deferred amount on refunding	1,860,080	-	1,860,080
Total deferred outflows	<u>25,614,730</u>	<u>-</u>	<u>25,614,730</u>
<b>LIABILITIES</b>			
Accounts payable	14,690,739	176,980	14,867,719
Unearned revenue	2,208,279	-	2,208,279
Long-term liabilities			
Portion due or payable within one year	13,221,026	-	13,221,026
Portion due or payable after one year	205,985,318	-	205,985,318
Net pension liability	105,712,483	-	105,712,483
Total liabilities	<u>341,817,845</u>	<u>176,980</u>	<u>341,994,825</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	8,190,518	-	8,190,518
<b>NET POSITON</b>			
Net investment in capital assets	68,136,646	59,263	68,195,909
Restricted for:			
Capital projects	7,570,747	-	7,570,747
Debt service	17,604,919	-	17,604,919
Educational programs	4,534,813	-	4,534,813
Nutritional services	-	614,577	614,577
Unrestricted	(129,652,480)	-	(129,652,480)
Total net position	<u>\$ (31,805,355)</u>	<u>\$ 673,840</u>	<u>\$ (31,131,515)</u>

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Statement of Activities*  
*For the Fiscal Year Ended June 30, 2017*

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>						
Instructional Services:						
Instruction	\$ 85,371,744	\$ 96,795	\$ 11,990,538	\$ (73,284,411)	\$ -	\$ (73,284,411)
Instruction-Related Services:						
Supervision of instruction	2,696,661	5,722	413,256	(2,277,683)	-	(2,277,683)
Instructional library, media and technology	3,175,552	8,600	130,519	(3,036,433)	-	(3,036,433)
School site administration	8,784,840	49	284,640	(8,500,151)	-	(8,500,151)
Pupil Support Services:						
Home-to-school transportation	2,366,701	11,820	545,831	(1,809,050)	-	(1,809,050)
All other pupil services	7,182,907	33,775	1,690,957	(5,458,175)	-	(5,458,175)
General Administration Services:						
Data processing services	235,002	-	-	(235,002)	-	(235,002)
Other general administration	5,086,207	4,547	336,405	(4,745,255)	-	(4,745,255)
Plant services	10,565,912	93,113	307,786	(10,165,013)	-	(10,165,013)
Ancillary services	961,192	-	10,880	(950,312)	-	(950,312)
Interest on long-term debt	11,426,051	-	-	(11,426,051)	-	(11,426,051)
Other outgo	775,131	707,570	2,260,628	2,193,067	-	2,193,067
Total Governmental Activities	138,627,900	961,991	17,971,440	(119,694,469)	-	(119,694,469)
<b>Business-Type Activities:</b>						
Food Services	1,995,435	1,630,806	455,834	-	91,205	91,205
Total Business-Type Activities	1,995,435	1,630,806	455,834	-	91,205	91,205
Total	\$ 140,623,335	\$ 2,592,797	\$ 18,427,274	(119,694,469)	91,205	(119,603,264)
<b>General Revenues:</b>						
Property taxes				66,352,569	-	66,352,569
Federal and state aid not restricted to specific purpose				45,180,826	-	45,180,826
Interest and investment earnings				313,333	5,488	318,821
Rental income				2,335,552	-	2,335,552
Miscellaneous				4,348,331	-	4,348,331
Total general revenues				118,530,611	5,488	118,536,099
Change in net position				(1,163,858)	96,693	(1,067,165)
Net position - July 1, 2016				(30,641,497)	577,147	(30,064,350)
Net position - June 30, 2017				\$ (31,805,355)	\$ 673,840	\$ (31,131,515)

**LAS VIRGENES UNIFIED SCHOOL DISTRICT***Balance Sheet – Governmental Funds**June 30, 2017*

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	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 38,127,276	\$ 7,748,270	\$ 17,604,919	\$ 8,492,442	\$ 71,972,907
Accounts receivable	5,054,630	37,322	-	33,980	5,125,932
Inventories	112,175	-	-	-	112,175
Prepaid expenditures	576,869	-	-	-	576,869
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 43,870,950</u>	<u>\$ 7,785,592</u>	<u>\$ 17,604,919</u>	<u>\$ 8,526,422</u>	<u>\$ 77,787,883</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 12,013,642	\$ 558,420	\$ -	\$ 324,045	\$ 12,896,107
Unearned revenue	2,208,279	-	-	-	2,208,279
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>14,221,921</u>	<u>558,420</u>	<u>-</u>	<u>324,045</u>	<u>15,104,386</u>
<b>Fund Balances</b>					
Nonspendable	715,644	-	-	-	715,644
Restricted	4,534,813	7,227,172	17,604,919	7,570,747	36,937,651
Committed	7,161,107	-	-	631,630	7,792,737
Assigned	1,191,210	-	-	-	1,191,210
Unassigned	16,046,255	-	-	-	16,046,255
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>29,649,029</u>	<u>7,227,172</u>	<u>17,604,919</u>	<u>8,202,377</u>	<u>62,683,497</u>
Total Liabilities and Fund Balances	<u>\$ 43,870,950</u>	<u>\$ 7,785,592</u>	<u>\$ 17,604,919</u>	<u>\$ 8,526,422</u>	<u>\$ 77,787,883</u>

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2017*

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<b>Total fund balances - governmental funds</b>		\$ 62,683,497
Amounts reported for governmental <i>activities</i> in the statement of net position are different because capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$323,116,760, and the accumulated depreciation is (\$109,757,433).		213,359,327
In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postemployment benefits costs are recognized in the period that they are incurred. The net OPEB liability at the end of the period was:		(13,205,095)
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(1,794,632)
In governmental funds, interest subsidies received from Build America Bonds (BABs) and Qualified School Construction Bonds (QSCBs) are recognized in the period that they are received. In the government-wide statements, they are recognized in the period that they are earned. The federal interest subsidies included in accounts receivable in the government-wide statements were:		830,769
In the government-wide statements funds deferred amounts on refunding are recognized as a deferred outflow of resources and amortized over the life of the defeased debt. Unamortized deferred amounts included on the statement of net position are:		1,860,080
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
	General obligation bonds payable	193,398,675
	Certificates of participation payable	11,235,523
	Compensated absences payable	931,051
	Supplementary retirement plan	436,000
		(206,001,249)
In governmental funds, deferred outflows and inflows of resources relating to pension are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported. Deferred inflows and outflows relating to pensions for the period were:		
	Deferred outflows of resources	23,754,650
	Deferred inflows of resources	(8,190,518)
The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements		(105,712,483)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service fund is:		610,299
<b>Total net position - governmental activities</b>		<b>\$ (31,805,355)</b>

## LAS VIRGENES UNIFIED SCHOOL DISTRICT

### Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2017

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Fund	Total Governmental Funds
<b>REVENUES</b>					
LCFF sources	\$ 88,675,993	\$ -	\$ -	\$ -	\$ 88,675,993
Federal sources	3,239,443	-	1,849,351	-	5,088,794
Other state sources	15,977,214	-	64,702	-	16,041,916
Other local sources	10,810,533	89,165	15,598,092	914,223	27,412,013
<b>Total Revenues</b>	<b>118,703,183</b>	<b>89,165</b>	<b>17,512,145</b>	<b>914,223</b>	<b>137,218,716</b>
<b>EXPENDITURES</b>					
Current:					
Instruction	73,972,337	-	-	-	73,972,337
Instruction-Related Services:					
Supervision of instruction	2,605,243	-	-	-	2,605,243
Instructional library, media and technology	3,048,761	-	-	-	3,048,761
School site administration	8,328,715	-	-	-	8,328,715
Pupil Support Services:					
Home-to-school transportation	2,364,021	-	-	-	2,364,021
All other pupil services	6,932,153	-	-	-	6,932,153
Ancillary Services	927,280	-	-	-	927,280
General Administration Services:					
Data processing services	235,002	-	-	-	235,002
Other general administration	4,649,710	-	-	28,069	4,677,779
Transfers of Indirect Costs	(55,160)	-	-	-	(55,160)
Plant Services	9,625,777	75,747	-	470,780	10,172,304
Capital Outlay	1,115,066	2,167,547	-	608,416	3,891,029
Intergovernmental Transfers	775,131	-	-	-	775,131
Debt Service:					
Principal	300,000	-	7,576,603	-	7,876,603
Interest	-	-	9,132,351	511,112	9,643,463
Issuance costs	-	-	350,417	185,001	535,418
<b>Total Expenditures</b>	<b>114,824,036</b>	<b>2,243,294</b>	<b>17,059,371</b>	<b>1,803,378</b>	<b>135,930,079</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,879,147	(2,154,129)	452,774	(889,155)	1,288,637
<b>OTHER FINANCING SOURCES (USES)</b>					
Interfund transfers in	-	-	-	635,000	635,000
Interfund transfers out	(635,000)	-	-	-	(635,000)
Proceeds from refunding debt	-	-	39,610,000	11,685,780	51,295,780
Premium on refunding bonds	-	-	2,391,917	-	2,391,917
Transfer to escrow agent for defeased debt	-	-	(41,651,500)	(11,500,779)	(53,152,279)
<b>Total Other Financing Sources and Uses</b>	<b>(635,000)</b>	<b>-</b>	<b>350,417</b>	<b>820,001</b>	<b>535,418</b>
Net Change in Fund Balances	3,244,147	(2,154,129)	803,191	(69,154)	1,824,055
Fund Balances, July 1, 2016	26,404,882	9,381,301	16,801,728	8,271,531	60,859,442
Fund Balances, June 30, 2017	\$ 29,649,029	\$ 7,227,172	\$ 17,604,919	\$ 8,202,377	\$ 62,683,497

# LAS VIRGENES 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, 2017

**Total net change in fund balances - governmental funds** \$ 1,824,055

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	3,992,300	
Depreciation expense	<u>(8,632,024)</u>	(4,639,724)

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 57,901,860

In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postemployment benefits costs are recognized in the period that they are incurred. The increase in the net OPEB liability at the end of the period was: (1,670,109)

In governmental funds, if debt is issued at a premium or a discount it is recognized as an other financing source or use in the period it is incurred. In the government-wide statements, the premium and discount are amortized over the life of the debt. Amortization of premiums and discounts for the period were: 723,288

In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as an increase to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were: (51,295,780)

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In the government-wide statements, however, this is recorded as interest expense for the period. Accreted interest additions less accreted interest paid during the year was: (2,065,589)

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of payment for refunded bonds which have been defeased. In the governmental funds these charges are recognized as an expenditure. However, in the statement of activities these amounts are amortized over the life of the refunded debt. The difference between current year charges and current year amortization is: 614,514

In governmental funds, pension costs are recognized when employer contributions are made. In the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (2,779,790)

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: 244,965

In governmental funds, interest subsidies received from Build America Bonds (BABs) and Qualified School Construction Bonds (QSCBs) are recognized in the period that they are received. In the government-wide statements, they are recognized in the period that they are earned. The federal interest accrued at the end of the period, less the interest received during the period but earned from the prior period was: (28,888)

In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. Examples include special termination benefits such as retirement incentives financed over time. This year, such liabilities increased by: (217,100)

In the statement of activities, compensated absences are measured by the amounts *earned* during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually *paid*.) 56,421

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was: 168,019

**Change in net position of governmental activities** \$ (1,163,858)

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Statement of Net Position - Proprietary Funds*  
*June 30, 2017*

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	Governmental Activities: Internal Service Self-Insurance Fund	Business-Type Activities: Enterprise Fund Food Services
<b>ASSETS</b>		
Cash	\$ 607,363	\$ 682,051
Accounts receivable	2,936	68,818
Stores inventories	-	34,973
Prepaid expenses	-	5,715
Capital assets	-	529,382
Less, accumulated depreciation	-	(470,119)
Total assets	<u>610,299</u>	<u>850,820</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	<u>-</u>	<u>176,980</u>
Total liabilities	<u>-</u>	<u>176,980</u>
<b>NET POSITION</b>		
Net investment in capital assets	-	59,263
Restricted	<u>610,299</u>	<u>614,577</u>
Total net position	<u>\$ 610,299</u>	<u>\$ 673,840</u>



**LAS VIRGENES UNIFIED SCHOOL DISTRICT***Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds  
For the Fiscal Year Ended June 30, 2017*

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	Governmental Activities: Internal Service Self-Insurance Fund	Business-Type Activities: Enterprise Fund Food Services
<b>OPERATING REVENUES</b>		
Charges for services	\$ 162,407	\$ 1,630,806
Federal grants	-	435,827
Other grants	-	20,007
	<hr/>	<hr/>
Total operating revenues	162,407	2,086,640
	<hr/>	<hr/>
<b>OPERATING EXPENSES</b>		
Classified salaries	-	817,123
Employee benefits	-	298,352
Books and supplies	-	748,734
Services and other operating expenditures	-	59,516
Transfers of indirect costs	-	55,160
Depreciation	-	16,550
	<hr/>	<hr/>
Total operating expenses	-	1,995,435
	<hr/>	<hr/>
Operating income (loss)	162,407	91,205
	<hr/>	<hr/>
<b>NON-OPERATING REVENUES</b>		
Interest income	5,612	5,488
	<hr/>	<hr/>
Change in net position	168,019	96,693
	<hr/>	<hr/>
Net position, July 1, 2016	442,280	577,147
	<hr/>	<hr/>
Net position, June 30, 2017	\$ 610,299	\$ 673,840
	<hr/> <hr/>	<hr/> <hr/>

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Statement of Cash Flows – Proprietary Funds*  
*For the Fiscal Year Ended June 30, 2017*

	Governmental Activities: Internal Service Self-Insurance Fund	Business-Type Activities: Enterprise Fund Food Services
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from operations	\$ -	\$ 2,058,112
Self insurance premiums	162,407	-
Cash paid for operating expenses	-	(1,934,083)
Net cash provided (used) by operating activities	<u>162,407</u>	<u>124,029</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash paid to acquire capital assets	-	(8,678)
Interest on investments	4,017	7,392
Net cash provided (used) by investing activities	<u>4,017</u>	<u>(1,286)</u>
Net increase in cash	166,424	122,743
Cash, July 1, 2016	<u>440,939</u>	<u>559,308</u>
Cash, June 30, 2017	<u>\$ 607,363</u>	<u>\$ 682,051</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 162,407	\$ 91,205
Adjustments to reconcile operating income(loss) to net cash provided (used) by operating activities:		
Depreciation	-	16,550
Changes in assets and liabilities:		
Increase in accounts receivable	-	(13,840)
Decrease in stores inventories	-	14,075
Increase in prepaids	-	(5,715)
Increase in accounts payable	-	32,898
Decrease in unearned revenue	-	(11,144)
Net cash provided (used) by operating activities	<u>\$ 162,407</u>	<u>\$ 124,029</u>

**NONCASH, NONCAPITAL FINANCING ACTIVITIES**

During the year, the District received \$90,442 of food commodities from the U.S. Department of Agriculture.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT***Statement of Fiduciary Net Position**June 30, 2017*

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	Agency Funds		Total
	Payroll Clearance Fund	Student Body Funds	
<b>Assets</b>			
Cash	\$ 715,536	\$ 984,159	\$ 1,699,695
Inventories	-	23,902	23,902
<b>Total Assets</b>	<b>\$ 715,536</b>	<b>\$ 1,008,061</b>	<b>\$ 1,723,597</b>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 1,087	\$ 1,087
Due to student groups	-	1,006,974	1,006,974
Due to regulatory agencies	715,536	-	715,536
<b>Total Liabilities</b>	<b>\$ 715,536</b>	<b>\$ 1,008,061</b>	<b>\$ 1,723,597</b>

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2017

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Las Virgenes Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

#### A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District has identified no organizations that are required to be reported as component units.

#### B. Basis of Presentation, Basis of Accounting

##### 1. Basis of Presentation

###### Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

###### Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2017

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### B. Basis of Presentation, Basis of Accounting (continued)

##### 1. Basis of Presentation (continued)

###### **Fund Financial Statements (continued)**

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

###### **Major Governmental Funds**

The District maintains the following major governmental funds:

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

**Building Fund:** This fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds.

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

###### **Non-Major Governmental Funds**

The District maintains the following non-major governmental funds:

###### **Special Revenue Funds:**

**Deferred Maintenance Fund:** This fund is used to account for resources committed to major repair or replacement of District property.

**Capital Facilities Fund:** This fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.

###### **Proprietary Funds**

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary funds:

**Self-Insurance Fund:** This fund may be used to account for any activity for which goods or services are provided to other funds of the District in return for a fee to cover the cost of operations. The District operates a dental program that is accounted for in a self-insurance service fund.

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2017

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### B. Basis of Presentation, Basis of Accounting (continued)

##### 1. Basis of Presentation (continued)

###### Proprietary Funds (continued)

**Enterprise Funds:** These funds are used to account for any activity for which a fee is charged to external users for goods or services. An enterprise fund must be used if the District's policy is to establish activity fees or charges designed to recover the cost of providing services. The District maintains one enterprise fund:

**Cafeteria Fund:** This fund is used to account for revenues received and expenditures made to operate the District's food service operations.

###### Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The District maintains the following fiduciary funds:

**Agency Funds:** These funds are used to account for assets of others for which the District acts as an agent. The "due to regulatory agencies" account within the payroll clearing fund is used to record dedicated funds for payroll and related expenses. The District also maintains student body funds, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District that maintain a student body fund.

##### 2. Measurement Focus, Basis of Accounting

###### Government-Wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

###### Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2017

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### B. Basis of Presentation, Basis of Accounting (continued)

##### 3. Revenues - Exchange and Non-Exchange Transactions

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

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

#### C. Budgetary Data

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

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

#### D. Encumbrances

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

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2017*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position**

**1. Cash and Cash Equivalents**

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

**2. Inventories**

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

**3. Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	25-50 years
Furniture and Equipment	15-20 years
Vehicles	8 years

**4. Unearned Revenue**

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

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

**5. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The first item is related to its pension plans as more fully described in the footnote entitled "Pension Plans". The second is deferred amount on refunding, which resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is shown as deferred and amortized over the shorter of the life of the refunded or refunding debt.



# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2017

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

##### 5. Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. That item is to recognize the District's proportionate share of the deferred inflows of resources related to its pension plans as more fully described in the footnote entitled "Pension Plans".

##### 6. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual and vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

##### 7. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California State Teachers Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) plans and addition to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

##### 8. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

**Nonspendable:** Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

**Restricted:** Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

**Committed:** The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2017

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

##### 8. Fund Balances (continued)

**Assigned:** Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

**Unassigned:** Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

##### 9. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2017

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### F. Minimum Fund Balance Policy

The District has adopted a minimum fund balance policy, which states that the Board intends to maintain a minimum fund balance of 3% of the District's general fund annual operating expenditures. If a fund balance drops below 3%, it shall be recovered at a rate of .5% minimally, each year.

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

#### G. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

#### H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

#### I. New GASB Pronouncements

During the 2016-17 fiscal year, the following GASB Pronouncements became effective:

**1. Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 (Issued 06/15)**

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

## LAS VIRGENES UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2017

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### I. New GASB Pronouncements (continued)

##### 2. **Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (Issued 06/15)***

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The scope of this Statement includes OPEB plans – defined benefit and defined contribution – administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

##### 3. **Statement No. 77, *Tax Abatement Disclosures (Issued 08/15)***

For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements, and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

##### 4. **Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans (Issued 12/15)***

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan).

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

June 30, 2017

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**I. New GASB Pronouncements (continued)**

**5. Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14 (Issued 01/16)***

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

**6. Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73 (Issued 03/16)***

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

**NOTE 2 – CASH**

Cash at June 30, 2017, is reported at fair value and consisted of the following:

	Governmental Activities		Total Governmental	Business Type	Fiduciary Funds
	Governmental Funds	Internal Service Fund		Activities: Enterprise Fund	
<b>Pooled Funds:</b>					
Cash in county treasury	\$ 71,687,918	\$ 607,363	\$ 72,295,281	\$ 601,341	\$ 715,536
<b>Deposits:</b>					
Cash on hand and in banks	258,389	-	258,389	76,835	984,159
Cash in revolving fund	26,600	-	26,600	3,875	-
Total Deposits	284,989	-	284,989	80,710	984,159
Total Cash	\$ 71,972,907	\$ 607,363	\$ 72,580,270	\$ 682,051	\$ 1,699,695

**Pooled Funds**

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2017*

**NOTE 2 – CASH (continued)**

**Pooled Funds (continued)**

Because the District’s deposits are maintained in a recognized pooled investment fund under the care of a third party and the District’s share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2017, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2017, \$1,575,128 of the District's bank balance was exposed to custodial credit risk because it was uninsured. However, the entire bank balance was collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2017, consisted of the following:

	Governmental Funds				Internal Service Fund	Enterprise Fund
	General Fund	Building Fund	Non-Major Governmental Funds	Totals	Self-Insurance Fund	Food Services
Federal Government:						
Categorical aid programs	\$ 2,872,928	\$ -	\$ -	\$ 2,872,928	\$ -	\$ 59,125
State Government:						
Lottery	480,289	-	-	480,289	-	-
Categorical aid programs	779,910	-	-	779,910	-	943
Other state resources	29,634	-	-	29,634	-	-
Local:						
Other local resources	891,869	37,322	33,980	963,171	2,936	8,750
<b>Total</b>	<b>\$ 5,054,630</b>	<b>\$ 37,322</b>	<b>\$ 33,980</b>	<b>\$ 5,125,932</b>	<b>\$ 2,936</b>	<b>\$ 68,818</b>

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2017

### NOTE 4 – INTERFUND TRANSACTIONS

#### Transfers To/From Other Funds

Transfers to/from other funds at June 30, 2017, consisted of the following:

General Fund transfer to Deferred Maintenance Fund for deferred maintenance match	<u>\$ 635,000</u>
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### NOTE 5 – FUND BALANCES

At June 30, 2017, fund balances of the District’s governmental funds were classified as follows:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Fund	Total
Nonspendable:					
Revolving cash	\$ 26,600	\$ -	\$ -	\$ -	\$ 26,600
Stores inventories	112,175	-	-	-	112,175
Prepaid expenditures	576,869	-	-	-	576,869
Total Nonspendable	<u>715,644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>715,644</u>
Restricted:					
Categorical programs	4,534,813	-	-	-	4,534,813
Capital projects	-	7,227,172	-	7,570,747	14,797,919
Debt service	-	-	17,604,919	-	17,604,919
Total Restricted	<u>4,534,813</u>	<u>7,227,172</u>	<u>17,604,919</u>	<u>7,570,747</u>	<u>36,937,651</u>
Committed:					
Early retirement incentive	436,000	-	-	-	436,000
Classified vacation accrual	931,050	-	-	-	931,050
Parcel tax reserve	39,057	-	-	-	39,057
PERS/STRS retirement increase	5,755,000	-	-	-	5,755,000
Deferred maintenance program	-	-	-	631,630	631,630
Total Committed	<u>7,161,107</u>	<u>-</u>	<u>-</u>	<u>631,630</u>	<u>7,792,737</u>
Assigned:					
School site carryover	541,210	-	-	-	541,210
Financial software upgrade	650,000	-	-	-	650,000
Total Assigned	<u>1,191,210</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,191,210</u>
Unassigned:					
Reserve for economic uncertainties	3,425,450	-	-	-	3,425,450
Remaining unassigned balances	12,620,805	-	-	-	12,620,805
Total Unassigned	<u>16,046,255</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,046,255</u>
Total	<u>\$ 29,649,029</u>	<u>\$ 7,227,172</u>	<u>\$ 17,604,919</u>	<u>\$ 8,202,377</u>	<u>\$ 62,683,497</u>

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2017

### NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance, July 1, 2016	Additions	Retirements	Balance, June 30, 2017
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 14,853,507	\$ -	\$ -	\$ 14,853,507
Construction in progress	2,042,995	330,036	2,042,995	330,036
Total capital assets not being depreciated	<u>16,896,502</u>	<u>330,036</u>	<u>2,042,995</u>	<u>15,183,543</u>
Capital assets being depreciated:				
Land Improvements	16,403,675	-	-	16,403,675
Infrastructure	90,000	-	-	90,000
Buildings and Improvements	273,411,460	5,343,699	-	278,755,159
Equipment	12,344,823	361,560	22,000	12,684,383
Total capital assets being depreciated	<u>302,249,958</u>	<u>5,705,259</u>	<u>22,000</u>	<u>307,933,217</u>
Accumulated depreciation for:				
Land Improvements	(11,523,309)	(525,166)	-	(12,048,475)
Infrastructure	(90,000)	-	-	(90,000)
Buildings and Improvements	(79,197,530)	(7,480,873)	-	(86,678,403)
Equipment	(10,336,570)	(625,985)	(22,000)	(10,940,555)
Total accumulated depreciation	<u>(101,147,409)</u>	<u>(8,632,024)</u>	<u>(22,000)</u>	<u>(109,757,433)</u>
Total capital assets being depreciated, net	<u>201,102,549</u>	<u>(2,926,765)</u>	<u>-</u>	<u>198,175,784</u>
Governmental activities capital assets, net	<u>\$ 217,999,051</u>	<u>\$ (2,596,729)</u>	<u>\$ 2,042,995</u>	<u>\$ 213,359,327</u>
<b>Business-Type Activities</b>				
Capital assets being depreciated:				
Equipment	\$ 520,704	\$ 8,678	\$ -	\$ 529,382
Accumulated depreciation for:				
Equipment	(453,569)	(16,550)	-	(470,119)
Business-Type activities capital assets, net	<u>\$ 67,135</u>	<u>\$ (7,872)</u>	<u>\$ -</u>	<u>\$ 59,263</u>

Depreciation expense is allocated to the following functions on the statement of activities:

<b>Governmental Activities:</b>	
Instruction	\$ 8,114,102
All other general administration	474,762
Plant services	43,160
Total governmental activities depreciation expense	<u>\$ 8,632,024</u>
<b>Business-Type Activities:</b>	
Food services	<u>\$ 16,550</u>
Total depreciation expense	<u>\$ 8,648,574</u>



**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2017*

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**NOTE 7 – GENERAL LONG-TERM DEBT**

Changes in long-term debt for the year ended June 30, 2017, were as follows:

	Balance, July 1, 2016	Additions	Deductions	Balance, June 30, 2017	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	\$ 140,428,293	\$ 39,610,000	\$ 46,576,603	\$ 133,461,690	\$ 7,215,212
Accreted interest component	50,118,756	5,933,986	3,868,397	52,184,345	4,925,941
Unamortized issuance premium	8,520,990	2,391,917	3,160,267	7,752,640	507,167
Total - General Obligation Bonds	<u>199,068,039</u>	<u>47,935,903</u>	<u>53,605,267</u>	<u>193,398,675</u>	<u>12,648,320</u>
Certificates of Participation:					
Principal repayments	10,875,000	11,685,780	11,325,257	11,235,523	409,906
Unamortized issuance discount	(45,062)	-	(45,062)	-	-
Total - Certificates of Participation	<u>10,829,938</u>	<u>11,685,780</u>	<u>11,280,195</u>	<u>11,235,523</u>	<u>409,906</u>
Compensated Absences	987,472	-	56,421	931,051	-
Supplemental Early Retirement	218,900	329,300	112,200	436,000	162,800
Other Postemployment Benefits	11,534,986	1,670,109	-	13,205,095	-
Net Pension Liability*	<u>89,507,849</u>	<u>16,204,634</u>	<u>-</u>	<u>105,712,483</u>	<u>-</u>
Totals	<u>\$ 312,147,184</u>	<u>\$ 77,825,726</u>	<u>\$ 65,054,083</u>	<u>\$ 324,918,827</u>	<u>\$ 13,221,026</u>

\*See Note 11 for detailed information regarding the Net Pension Liability.

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Certificates of participation payments are made by the General and Capital Facilities Funds. Accumulated vacation, the supplemental early retirement, and other employment benefits will be paid for by the fund for which the employee worked.

**A. General Obligation Bonds**

**1997 Election**

The District authorized bonds at a regularly scheduled election of the registered voters of the District held on November 4, 1997, at which more than two-thirds of the voters authorized the issuance and sale of \$30.0 million of general obligation bonds to finance the construction and modernization of school facilities.

**2006 Election**

The District authorized bonds at a regularly scheduled election of the registered voters of the District held on June 6, 2006, at which more than 55% of the voters authorized the issuance and sale of \$128.0 million of general obligation bonds to finance the construction and modernization of school facilities.

A portion of the bonds is designated "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"). Pursuant to the Recovery Act, the District expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Bonds on or about each interest payment date. The cash payment does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the Treasury under the Recovery Act. The District is obligated to deposit any cash subsidy payments it receives into the debt service fund for the Bonds. Another portion of the bonds is designated as "Qualified School Construction Bonds" for purposes of the Recovery Act.

## LAS VIRGENES UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2017

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#### NOTE 7 – GENERAL LONG-TERM DEBT (continued)

##### A. General Obligation Bonds (continued)

###### 2006 Election (continued)

With respect to the bonds, the District expects to receive, on or about each bond payment date for the bonds, a cash subsidy payment from the United States Treasury equal to the lesser of a) the interest payable on such bond payment date or b) the amount of interest that would have been payable on such bond payment date on such bonds if such interest were determined at a federal tax credit rate applicable to the bonds, which Tax Credit Rate is published by the Treasury and determined under Section 54A(b)(3) of the Code. Prior to each such bond payment date for the bonds, the District will submit or cause to be submitted to the Treasury a subsidy reimbursement request in accordance with applicable Federal regulations.

###### 2013 Refunding

On January 10, 2013, the District issued \$9,630,000 of General Obligation Refunding Bonds. The Bonds consist of serial bonds bearing fixed rates ranging from 0.588 to 2.365 percent with annual maturities from November 2013 through November 2019. The net proceeds of \$9,438,029 (after issuance costs and underwriter's discount of \$191,971) were used to refund a portion of the Series 2004 Refunding General Obligation Bonds.

###### 2014 Refunding

On October 29, 2014, the District issued \$27,255,000 of General Obligation Refunding Bonds. The Bonds consist of serial bonds bearing fixed rates ranging from 3.0 to 5.0 percent with annual maturities from August 2015 through August 2031. The net proceeds of \$31,542,630 (after issuance costs and underwriter's discount of \$309,987) were used to refund a portion of the Series 2006A General Obligation Bonds.

The net proceeds of both refundings were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net assets and are amortized to interest expense over the life of the liability. Deferred amounts on refunding of \$1,076,975 remain to be amortized. As of June 30, 2017, the principal balance outstanding on the defeased debt has been fully repaid.

###### 2016 General Obligation Refunding Bonds

On December 6, 2016, the District issued \$39,610,000 of General Obligation Refunding Bonds. The bonds bear fixed interest rates ranging between 2.75% and 4.0% with annual maturities from August 1, 2020 through August 1, 2034. The net proceeds of \$41,651,500 (after premiums of \$2,391,917 and issuance costs of \$350,417) were used to advance refund, on a crossover basis, a portion of the District's outstanding Election of 2006 General Obligation Bonds, Series B-1 and pay the costs of issuance.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2017 of \$72,446 remain to be amortized. As of June 30, 2017, the principal balance outstanding on the defeased debt amounted to \$39,000,000.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2017

**NOTE 7 – GENERAL LONG-TERM DEBT (continued)**

**A. General Obligation Bonds (continued)**

**2016 General Obligation Refunding Bonds (continued)**

The refunding decreased the District's total debt service payments by \$6,703,821. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$5,057,210.

The outstanding bonded debt at June 30, 2017, was as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2016	Additions	Deductions	Balance, June 30, 2017
<b>Measure R (1997)</b>								
1997 A	2/24/1998	11/1/2022	3.65%-5.15%	\$ 29,999,130	\$ 5,110,314	\$ -	\$ 854,582	\$ 4,255,732
1997 B	8/11/1999	11/1/2023	4.85%-5.68%	9,374,387	5,139,587	-	564,090	4,575,497
1997 C	3/21/2001	11/1/2025	4.05%-5.44%	18,492,813	2,778,931	-	307,615	2,471,316
1997 D	10/17/2002	9/1/2027	2.00%-5.20%	32,627,309	21,637,311	-	1,255,316	20,381,995
Sub-total Measure R				90,493,639	34,666,143	-	2,981,603	31,684,540
<b>Measure G (2006)</b>								
2006 A	11/30/2006	8/1/2031	3.50%-5.00%	44,566,153	1,936,153	-	1,605,000	331,153
2006 B	12/22/2009	8/1/2034	3.000%-7.262%	42,996,222	42,796,222	-	39,140,000	3,656,222
2006 C	5/19/2011	8/1/2033	5.006%-6.750%	29,998,274	25,408,274	-	1,385,000	24,023,274
Sub-total Measure G				117,560,649	70,140,649	-	42,130,000	28,010,649
<b>Refunding Bonds</b>								
2004 Ref.	8/4/2004	11/1/2021	1.50%-5.18%	14,471,501	886,501	-	-	886,501
2013 Ref.	1/10/2013	11/1/2019	0.588%-2.365%	9,630,000	7,920,000	-	1,465,000	6,455,000
2014 Ref.	10/29/2014	8/1/2031	3.00%-5.00%	27,255,000	26,815,000	-	-	26,815,000
2016 Ref	12/6/2016	8/1/2034	2.750%-4.00%	39,610,000	-	39,610,000	-	39,610,000
Sub-total Refunding Bonds				90,966,501	35,621,501	39,610,000	1,465,000	73,766,501
					\$ 140,428,293	\$ 39,610,000	\$ 46,576,603	\$ 133,461,690
<b>Accreted Interest Component</b>								
				1997 A	\$ 7,798,631	\$ 618,997	\$ 1,335,418	\$ 7,082,210
				1997 B	8,144,553	732,992	935,910	7,941,635
				1997 C	4,626,596	470,159	512,385	4,584,370
				1997 D	20,681,134	2,125,851	1,084,684	21,722,301
				2004 Ref.	2,426,923	393,762	-	2,820,685
				2006 A	398,253	65,603	-	463,856
				2006 B	3,790,525	919,712	-	4,710,237
				2006 C	2,252,141	606,910	-	2,859,051
					\$ 50,118,756	\$ 5,933,986	\$ 3,868,397	\$ 52,184,345

The annual requirements to amortize general obligation bonds payable are as follows:

Fiscal Year	Principal	Interest	Total
2017-18	\$ 7,215,212	\$ 13,057,998	\$ 20,273,210
2018-19	8,253,746	11,700,817	19,954,563
2019-20	8,651,658	12,144,080	20,795,738
2020-21	7,023,133	15,017,807	22,040,940
2021-22	7,196,944	15,591,046	22,787,990
2022-27	33,330,644	66,343,671	99,674,315
2027-32	34,284,927	32,947,259	67,232,186
2032-35	27,505,426	5,404,086	32,909,512
Total	\$ 133,461,690	\$ 172,206,764	\$ 305,668,454

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2017

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### NOTE 7 – GENERAL LONG-TERM DEBT (continued)

#### B. Certificates of Participation

On July 3, 2003, the District issued the 2003 Certificates of Participation in the amount of \$20,000,000. During the 2007-2008 fiscal year, the District issued the 2008 Refunding Certificates of Participation to refinance the 2003 Certificates of Participation. The 2008 Refunding Certificates of Participation mature in the 2037-2038 fiscal year and carry interest rates ranging from 3.0 percent to 5.0 percent.

#### 2017 Certificates of Participation Refunding Lease/Purchase Agreement

On January 19, 2017, the District entered into a \$11,685,780 of Certificates of Participation Refunding lease/purchase agreement. The certificates bear a fixed interest rate of 3.18% with semi-annual maturities from May 1, 2017 through November 1, 2036. The net proceeds of \$11,500,779 (after issuance costs of \$185,001) were used to refinance the District's outstanding 2008 Refunding Certificates of Participation and pay the costs of issuance.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded certificates. As a result, the refunded certificates are considered to be defeased, and the related liability for the certificates has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2017 of \$654,069 remain to be amortized. As of June 30, 2017, the principal balance outstanding on the defeased debt amounted to \$10,575,000.

The refunding decreased the District's total debt service payments by \$1,817,667. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$1,090,504.

Fiscal Year	Principal	Interest	Total
2017-18	\$ 409,906	\$ 354,031	\$ 763,937
2018-19	420,424	340,912	761,336
2019-20	435,917	327,420	763,337
2020-21	451,301	313,435	764,736
2021-22	465,680	298,969	764,649
2022-27	2,557,676	1,261,604	3,819,280
2027-32	2,990,695	824,667	3,815,362
2032-37	3,503,924	308,102	3,812,026
Total	<u>\$ 11,235,523</u>	<u>\$ 4,029,140</u>	<u>\$ 15,264,663</u>

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2017

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### NOTE 7 – GENERAL LONG-TERM DEBT (continued)

#### C. Supplemental Early Retirement Plans

##### 2011 SERP

The District offered a supplemental early retirement plan during the 2010-11 year, whereby certain eligible employees are provided an annuity through Mid-America Administrative and Retirement Solution to supplement the retirement benefits they are entitled to through the California State Teachers' Retirement System (CalSTRS). Under the plan, eligible employees are those certificated non-management employees who are STRS eligible and have provided a minimum of ten years of service in the District. Twenty-nine employees retired and elected to receive this annuity.

##### 2015 SERP

The District offered a voluntary early retirement incentive, which was available to all certificated LVEA unit members who have served 15 years as employees of the District, are at least age 60 at the age of retirement, and eligible to retire under STRS or PERS, with an effective retirement date on or before June 30, 2016. The District agrees to provide those who qualify with an annual payment of \$4,600 and the District will also contribute the required minimum monthly contribution for retirees for health insurance. As of June 30, 2017, 46 employees retired and elected to participate in the plan.

The outstanding liability for all SERPs at June 30, 2017, amounted to \$436,000. The supplemental early retirement plan has the following required payments:

Fiscal Year	Total Payment
2017-18	\$ 162,800
2018-19	134,750
2019-20	80,950
2020-21	41,400
2021-22	13,800
2022-23	2,300
Total	<u>\$ 436,000</u>

## LAS VIRGENES UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2017

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#### NOTE 8 – JOINT POWERS AGREEMENTS

The Las Virgenes Unified School District participates in two joint powers agreement (JPA) entities: Alliance of Schools for Cooperative Insurance Programs (ASCIP) and Schools Linked for Insurance Management (SLIM). The JPAs arrange for and provide property and liability insurance, workers' compensation insurance and health benefits insurance for their member school districts. The Las Virgenes Unified School District pays a premium commensurate with the level of coverage requested.

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the Las Virgenes Unified School District beyond the District's representation on the governing boards.

The following condensed audited financial information is presented for informational purposes only:

	ASCIP	SLIM
	June 30, 2016	June 30, 2016
Assets	\$ 407,081,078	\$ 13,184,328
Deferred Outflows	354,308	-
Liabilities	(222,630,858)	(7,117,608)
Deferred Inflows	(443,374)	-
Net Position	<u>\$ 184,361,154</u>	<u>\$ 6,066,720</u>
Revenues	\$ 263,465,560	\$ 14,226,370
Expenses	<u>244,977,398</u>	<u>14,985,160</u>
Operating Income	18,488,162	(758,790)
Non-Operating Income	8,305,291	-
Change in Net Position	<u>\$ 26,793,453</u>	<u>\$ (758,790)</u>

Each JPA is independently accountable for its fiscal matters and maintains its own accounting records. 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 JPA. The relationships between the Las Virgenes Unified School District and the JPAs are such that no JPA is a component unit of the Las Virgenes Unified School District for financial reporting purposes.

#### NOTE 9 – COMMITMENTS AND CONTINGENCIES

##### A. State and Federal Allowances, Awards, and Grants

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

##### B. Construction Commitments

As of June 30, 2017, the District had commitments with respect to unfinished capital projects of approximately \$0.8 million.

##### C. Litigation

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2017.

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2017

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### NOTE 10 – RISK MANAGEMENT

#### Description

The District's risk management activities are recorded in the General Fund. Employee life, health, and disability programs are administered by the General Fund through the purchase of commercial insurance. The District participates in various public entity risk pools (JPAs) for the workers' compensation programs and health and welfare benefits. Refer to Note 8 for additional information regarding the JPAs.

During fiscal year ending June 30, 2017, the District participated in Self-Insured Schools of California (SISC III) public entity risk pools for dental insurance coverage. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

### NOTE 11 – PENSION 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 California State Teachers' Retirement System (CalSTRS), and classified employees are members of California Public Employees' Retirement System (CalPERS).

#### A. General Information about the Pension Plans

##### Plan Descriptions

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. Benefit provisions under the Plan are established by State statute and District resolution. CalSTRS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalSTRS website.

The District also 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. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

##### Benefits Provided

CalSTRS provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of final compensation for each year of credited service at age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, increasing to a maximum of 2.4% at age 63 for members under *CalSTRS 2% at 60*, or age 65 for members under *CalSTRS 2% at 62*. The normal retirement eligibility requirements are age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, with a minimum of five years of service credited under the Defined Benefit Program, which can include service purchased from teaching in an out-of-state or foreign public school. Employees are eligible for service-related disability benefits after five years of service, unless the member is disabled due to an unlawful act of bodily injury committed by another person while working in CalSTRS covered employment, in which case the minimum is one year. Disability benefits are equal to fifty percent of final compensation regardless of age and service credit. Designated recipients of CalSTRS retired members receive a \$6,163 lump-sum death payment. There is a 2% simple increase each September 1 following the first anniversary of the date on which the monthly benefit began to accrue.

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2017

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### NOTE 11 – PENSION PLANS (continued)

#### A. General Information about the Pension Plans (continued)

##### Benefits Provided (continued)

The annual 2% increase is applied to all continuing benefits other than Defined Benefit Supplement annuities. However, if the member retires with a Reduced Benefit Election, the increase does not begin to accrue until the member reaches age 60 and is not payable until the member receives the full benefit. This increase is also known as the improvement factor.

CalPERS also provides retirement, disability, and death benefits. Retirement benefits are determined as 1.1% of final compensation for each year of credited service at age 50 for members under 2% at 55, or 1.0% at age 52 for members under 2% at 62, increasing to a maximum of 2.5 percent at age 63 for members under 2% at 55, or age 67 for members under 2% at 62. To be eligible for service retirement, members must be at least age 50 and have a minimum of five years of CalPERS-credited service. Members joining on or after January 1, 2013, must be at least age 52. Disability retirement has no minimum age requirement and the disability does not have to be job related. However, members must have a minimum of five years of CalPERS service credit.

Pre-retirement death benefits range from a simple return of member contributions plus interest to a monthly allowance equal to half of what the member would have received at retirement paid to a spouse or domestic partner. To be eligible for any type of monthly pre-retirement death benefit, a spouse or domestic partner must have been either married to the member or legally registered before the occurrence of the injury or the onset of the illness that resulted in death, or for at least one year prior to death. Cost-of-living adjustments are provided by law and are based on the Consumer Price Index for all United States cities. Cost-of-living adjustments are paid the second calendar year of the member's retirement on the May 1 check and then every year thereafter. The standard cost-of-living adjustment is a maximum of 2% per year.

##### Contributions

Active CalSTRS plan members under 2% at 60 were required to contribute 10.25% and plan members under 2% at 62 were required to contribute 9.205% of their salary in 2016-17. The required employer contribution rate for fiscal year 2016-17 was 12.58% of annual payroll. The contribution requirements of the plan members are established by State statute. Active CalPERS plan members are required to contribute 7.0% of their salary, and the District is required to contribute an actuarially determined rate. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The required employer contribution for fiscal year 2016-17 was 13.888%. The contribution requirements of the plan members are established by State statute.

For the fiscal year ended June 30, 2017, the contributions recognized as part of pension expense for each Plan were as follows:

	CalSTRS	CalPERS
Employer contributions	\$ 6,365,318	\$ 2,530,896
Employee contributions paid by employer	\$ -	\$ -
Employer contributions paid by State	\$ 3,947,751	\$ -



**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2017*

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**NOTE 11 – PENSION PLANS (continued)**

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions**

As of June 30, 2017, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 76,028,140
CalPERS	\$ 29,684,343
Total Net Pension Liability	<u>\$ 105,712,483</u>

The District’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District’s proportionate share of the net pension liability for each Plan as of June 30, 2015 and 2016 was as follows:

	<u>CalSTRS</u>	<u>CalPERS</u>
Proportion - June 30, 2015	0.1000%	0.1505%
Proportion - June 30, 2016	<u>0.0940%</u>	<u>0.1503%</u>
Change - Increase (Decrease)	<u>-0.0060%</u>	<u>-0.0002%</u>

For the year ended June 30, 2017, the District recognized pension expense of \$11,676,004. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 8,896,214	\$ -
Differences between actual and expected experience	1,276,711	(1,854,620)
Changes in assumptions	-	(891,838)
Adjustment due to differences in proportions	-	(2,512,591)
Net differences between projected and actual earnings on plan investments	<u>13,581,725</u>	<u>(2,931,469)</u>
	<u>\$ 23,754,650</u>	<u>\$ (8,190,518)</u>

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

June 30, 2017

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**NOTE 11 – PENSION PLANS (continued)**

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)**

The total amount of \$8,896,214 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	Amount
2018	\$ 1,505,257
2019	1,382,936
2020	2,872,833
2021	615,564
2022	(898,691)
Thereafter	-

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2015, actuarial valuations were determined using the following actuarial assumptions:

	<u>CalSTRS</u>	<u>CalPERS</u>
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry age normal	Entry age normal
Actuarial Assumptions:		
Discount Rate	7.60%	7.65%
Inflation	3.00%	2.75%
Wage Growth	3.75%	Varies
Post-retirement Benefit Increase	2.00%	2.00%
Investment Rate of Return	7.60%	7.65%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010 Experience Analysis for more information. The underlying mortality assumptions and all other actuarial assumptions used in the CalPERS June 30, 2015 valuation were based on the results of an actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

**Discount Rate** – for CalSTRS

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members.

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2017

### NOTE 11 – PENSION PLANS (continued)

#### B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

##### **Discount Rate** – for CalSTRS (continued)

Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

##### **Discount Rate** – for CalPERS

The discount rate used to measure the total pension liability for PERF B was 7.65%. A projection of expected benefit payments and contributions was performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF B. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained on CalPERS' website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	Target Allocation		Long-Term Expected Rate of Return	
	CalSTRS	CalPERS	CalSTRS	CalPERS
Global Equity	47%	51%	6.30%	5.71%
Global Debt Securities	N/A	20%	N/A	2.43%
Inflation Sensitive	4%	6%	3.80%	3.36%
Private Equity	13%	10%	9.30%	6.95%
Absolute Return/Risk Mitigating Strategies	9%	N/A	2.90%	N/A
Real Estate	13%	10%	5.20%	5.13%
Infrastructure and Forestland	N/A	2%	N/A	5.09%
Fixed Income	12%	N/A	0.30%	N/A
Cash/Liquidity	2%	1%	-1.00%	-1.05%
	<u>100%</u>	<u>100%</u>		

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2017*

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**NOTE 11 – PENSION PLANS (continued)**

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)**

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the District’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	CalSTRS	CalPERS
1% Decrease	6.60%	6.65%
Net Pension Liability	\$ 109,421,640	\$ 44,289,205
Current Discount Rate	7.60%	7.65%
Net Pension Liability	\$ 76,028,140	\$ 29,684,343
1% Increase	8.60%	8.65%
Net Pension Liability	\$ 48,293,440	\$ 17,522,921

***Pension Plan Fiduciary Net Position***

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

**C. Payable to the Pension Plans**

At June 30, 2017, the District reported a payable of \$651,734 and \$183,263 for the outstanding amount of contributions to the CalSTRS and CalPERS pension plans, respectively, required for the fiscal year ended June 30, 2017.

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS**

Las Virgenes Unified School District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical insurance benefits to eligible retirees and their spouses. The District implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in 2008-09.

**Plan Descriptions and Contribution Information**

Membership in the plan as of July 1, 2015, actuarial valuation, consisted of the following:

Retirees and beneficiaries receiving benefits	238
Active plan members	877
Total	<u><u>1,115</u></u>

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2017

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### NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

#### Plan Descriptions and Contribution Information (continued)

While the District contracts its health benefits through the CalPERS health plan, retirees have access to a District funded subsidy towards their insurance premium, currently equal to \$106.40 per month. However, this is not a union-contracted benefit and it is not being offered to retirees at the discretion of the District.

The District's funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board. For fiscal year 2016-17, the District contributed \$386,549 towards retirees medical benefit premiums.

#### Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

Annual required contribution (ARC)	\$ 2,212,193
Interest on net OPEB obligation	576,749
Adjustment to ARC	(732,284)
Annual OPEB cost	<u>2,056,658</u>
Contributions made:	
Pay-as-you-go costs	<u>(386,549)</u>
Increase in net OPEB liability	1,670,109
Net OPEB liability - July 1, 2016	11,534,986
Net OPEB liability - June 30, 2017	<u><u>\$ 13,205,095</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016-17 and the preceding two years are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2015	\$ 1,936,221	15%	\$ 9,806,783
2016	\$ 2,079,961	17%	\$ 11,534,986
2017	\$ 2,056,658	19%	\$ 13,205,095

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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## NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

### Funded Status and Funding Progress – OPEB Plans

As of July 1, 2015, the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was \$18.0 million and the unfunded actuarial accrued liability (UAAL) was \$18.0 million.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### Actuarial Methods and Assumptions

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

Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2015
Amortization Method	Closed, level dollar method
Remaining Amortization Period	30 years
Asset Valuation	N/A
Actuarial Assumptions:	
Discount rate	5.0%
Long-term healthcare cost trend rates	5.0%

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***Required Supplementary Information***

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**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Budgetary Comparison Schedule – General Fund*  
*For the Fiscal Year Ended June 30, 2017*

	<b>Budgeted Amounts</b>		<b>Actual*</b> <b>(Budgetary Basis)</b>	<b>Variance with Final Budget - Pos (Neg)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
LCFF sources	\$ 87,590,838	\$ 88,191,752	\$ 88,675,993	\$ 484,241
Federal sources	3,209,829	3,462,244	3,239,443	(222,801)
Other state sources	8,353,589	11,607,870	12,029,463	421,593
Other local sources	9,530,546	9,894,029	10,810,533	916,504
<b>Total Revenues</b>	<b>108,684,802</b>	<b>113,155,895</b>	<b>114,755,432</b>	<b>1,599,537</b>
<b>Expenditures</b>				
Current:				
Certificated salaries	51,358,014	52,236,276	52,142,127	94,149
Classified salaries	18,691,801	19,335,018	19,114,530	220,488
Employee benefits	21,698,475	22,277,855	22,267,326	10,529
Books and supplies	4,210,889	4,018,277	3,553,802	464,475
Services and other operating expenditures	11,504,269	11,853,207	11,457,229	395,978
Capital outlay	410,000	1,883,990	1,266,140	617,850
Intergovernmental	565,677	617,396	775,131	(157,735)
Debt service	-	-	300,000	(300,000)
<b>Total Expenditures</b>	<b>108,439,125</b>	<b>112,222,019</b>	<b>110,876,285</b>	<b>1,345,734</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	245,677	933,876	3,879,147	2,945,271
<b>Other Financing Sources and Uses</b>				
Interfund transfers out	(635,000)	(635,000)	(635,000)	-
<b>Total Other Financing Sources and Uses</b>	<b>(635,000)</b>	<b>(635,000)</b>	<b>(635,000)</b>	<b>-</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(389,323)	298,876	3,244,147	2,945,271
Fund Balance, July 1, 2016	26,404,882	26,404,882	26,404,882	-
Fund Balance, June 30, 2017	\$ 26,015,559	\$ 26,703,758	\$ 29,649,029	\$ 2,945,271

\*The actual column above does not include the revenues or expenditures related to the STRS on-behalf contributions, as they were not considered during the budget development process.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT***Schedule of Funding Progress**For the Fiscal Year Ended June 30, 2017*

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Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2011	\$ -	\$ 13,985,477	\$ 13,985,477	0%	\$ 57,447,025	24.3%
July 1, 2013	\$ -	\$ 17,240,199	\$ 17,240,199	0%	\$ 59,231,279	29.1%
July 1, 2015	\$ -	\$ 18,048,025	\$ 18,048,025	0%	\$ 48,641,137	37.1%

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Schedule of Proportionate Share of the Net Pension Liability*  
*For the Fiscal Year Ended June 30, 2017*

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Last Ten Fiscal Years\*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>CalSTRS</b>			
District's proportion of the net pension liability	0.0940%	0.1000%	0.0970%
District's proportionate share of the net pension liability	\$ 76,028,140	\$ 67,324,000	\$ 56,683,890
State's proportionate share of the net pension liability associated with the District	43,287,836	35,606,879	34,228,524
Totals	<u>\$ 119,315,976</u>	<u>\$ 102,930,879</u>	<u>\$ 90,912,414</u>
District's covered-employee payroll	<u>\$ 38,085,918</u>	<u>\$ 40,708,052</u>	<u>\$ 43,816,667</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>199.62%</u>	<u>165.38%</u>	<u>129.37%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>	<u>77%</u>
<b>CalPERS</b>			
District's proportion of the net pension liability	0.1503%	0.1505%	0.1469%
District's proportionate share of the net pension liability	\$ 29,684,343	\$ 22,183,849	\$ 16,676,727
District's covered-employee payroll	<u>\$ 16,558,335</u>	<u>\$ 14,983,774</u>	<u>\$ 15,414,613</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>179.27%</u>	<u>148.05%</u>	<u>108.19%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>79%</u>	<u>83%</u>

\* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Schedule of Pension Contributions*  
*For the Fiscal Year Ended June 30, 2017*

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	Last Ten Fiscal Years*		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>CalSTRS</b>			
Contractually required contribution	\$ 6,365,318	\$ 4,086,619	\$ 3,614,875
Contributions in relation to the contractually required contribution	<u>6,365,318</u>	<u>4,086,619</u>	<u>3,614,875</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 50,598,712</u>	<u>\$ 38,085,918</u>	<u>\$ 40,708,052</u>
Contributions as a percentage of covered-employee payroll	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
<b>CalPERS</b>			
Contractually required contribution	\$ 2,530,896	\$ 1,961,666	\$ 1,763,740
Contributions in relation to the contractually required contribution	<u>2,530,896</u>	<u>1,961,666</u>	<u>1,763,740</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 18,223,618</u>	<u>\$ 16,558,335</u>	<u>\$ 14,983,774</u>
Contributions as a percentage of covered-employee payroll	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

\* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2017*

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

**Schedule of Funding Progress**

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

**Schedule of Proportionate Share of the Net Pension Liability**

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportionate share (amount) of the collective net pension liability
- The employer's covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll
- The pension plan's fiduciary net position as a percentage of the total pension liability

**Schedule of Pension Contributions**

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

**NOTE 2 – SUMMARY OF CHANGES OF BENEFITS OR ASSUMPTIONS**

**Benefit Changes**

There were no changes to benefit terms that applied to all members of the Schools Pool.

**Changes of Assumptions**

There were no changes of assumptions.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2017*

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**NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

At June 30, 2017, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
Intergovernmental	\$ 157,735
Debt service*	300,000

\*Due to the availability of RDA income which enabled the District to pay some of the certificates of participation debt service from this account

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***Supplementary Information***

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**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Local Educational Agency Organization Structure*  
*June 30, 2017*

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The Las Virgenes Unified School District was established in 1962. The District boundaries include the cities of Agoura Hills, Calabasas, Hidden Hills, and an unincorporated area of the County in Westlake Village in North Western Los Angeles County. There were no changes to the District’s boundaries during the year. The District operates eight elementary schools, one alternative K-8 school, three middle schools, two comprehensive high schools, and one alternative high school.

<b>GOVERNING BOARD</b>		
<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Angela Cutbill	President	2018
Dallas Lawrence	Vice President	2018
Linda Menges	Clerk	2020
Lesli Stein	Member	2018
Mathy Wasserman	Member	2020

**DISTRICT ADMINISTRATORS**

Dan Stepenosky, Ed.D.,  
*Superintendent*

Clara Finneran,  
*Assistant Superintendent, Education*

Karen Kimmel,  
*Assistant Superintendent, Business*

Rose Dunn, Ed.D.,  
*Assistant Superintendent, Personnel*

**LAS VIRGENES UNIFIED SCHOOL DISTRICT***Schedule of Average Daily Attendance  
For the Fiscal Year Ended June 30, 2017*

	<b>Second Period Report</b>	<b>Annual Report</b>
	<b>Certificate No. (CCAECFAC)</b>	<b>Certificate No. (F7FA9550)</b>
<b>Regular ADA:</b>		
Transitional Kindergarten through Third	2,933.26	2,937.49
Fourth through Sixth	2,405.92	2,399.72
Seventh through Eighth	1,802.25	1,799.86
Ninth through Twelfth	3,909.43	3,898.40
Total Regular ADA	11,050.86	11,035.47
<b>Special Education, Nonpublic, Nonsectarian Schools:</b>		
Fourth through Sixth	-	0.22
Seventh through Eighth	2.14	2.26
Ninth through Twelfth	11.40	11.59
Total Special Education, Nonpublic, Nonsectarian Schools	13.54	14.07
Total ADA	11,064.40	11,049.54

**LAS VIRGENES UNIFIED SCHOOL DISTRICT***Schedule of Instructional Time**For the Fiscal Year Ended June 30, 2017*

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<u>Grade Level</u>	<u>Requirement</u>	<u>2016-17 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	38,700	180	Complied
Grade 1	50,400	50,820	180	Complied
Grade 2	50,400	50,820	180	Complied
Grade 3	50,400	50,820	180	Complied
Grade 4	54,000	54,370	180	Complied
Grade 5	54,000	54,370	180	Complied
Grade 6	54,000	56,500	180	Complied
Grade 7	54,000	56,500	180	Complied
Grade 8	54,000	56,500	180	Complied
Grade 9	64,800	67,820	180	Complied
Grade 10	64,800	67,820	180	Complied
Grade 11	64,800	67,820	180	Complied
Grade 12	64,800	67,820	180	Complied

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Schedule of Financial Trends and Analysis*  
*For the Fiscal Year Ended June 30, 2017*

General Fund	(Budget) 2018 <sup>2</sup>	2017 <sup>3</sup>	2016	2015
Revenues and other financing sources	\$ 112,861,232	\$ 114,755,432	\$ 114,756,362	\$ 98,349,341
Expenditures	113,331,647	110,876,285	106,180,036	99,272,906
Other uses and transfers out	850,000	635,000	500,000	425,000
Total outgo	114,181,647	111,511,285	106,680,036	99,697,906
Change in fund balance (deficit)	(1,320,415)	3,244,147	8,076,326	(1,348,565)
Ending fund balance	\$ 28,328,614	\$ 29,649,029	\$ 26,404,882	\$ 18,328,556
Available reserves <sup>1</sup>	\$ 18,091,710	\$ 16,046,255	\$ 12,256,602	\$ 7,614,031
Available reserves as a percentage of total outgo	15.8%	14.4%	11.5%	7.6%
Total long-term debt	\$ 311,697,801	\$ 324,918,827	\$ 312,147,184	\$ 299,965,745
Average daily attendance at P-2	11,010	11,064	10,922	10,848

The General Fund balance has increased by \$3,244,147 over the past year. The fiscal year 2017-18 adopted budget projects a decrease of \$1,320,415. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in one of the past three years, and anticipates incurring an operating deficit during the 2017-18 fiscal year. Long-term debt has increased by \$24,953,082 over the past two years.

Average daily attendance has increased by 216 over the past two years. A decrease of 54 ADA is anticipated during fiscal year 2017-18.

<sup>1</sup> Available reserves consist of all unassigned fund balances in the General Fund.

<sup>2</sup> Revised Final Budget September, 2017.

<sup>3</sup> This column does not include the revenues or expenditures related to the STRS on-behalf contributions.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
For the Fiscal Year Ended June 30, 2017*

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*There were no differences between the Annual Financial and Budget Report and the  
Audited Financial Statements in any funds.*

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended June 30, 2017*

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
School Breakfast Program - Basic	10.553	13525	\$ 19,566	
School Breakfast Program - Especially Needy	10.553	13526	20,866	
National School Lunch Program	10.555	13523	292,449	
USDA Donated Foods	10.555	N/A	90,442	
Total Child Nutrition Cluster				\$ 423,323
Team Nutrition Grant 2015	10.574	15332		12,504
Total U.S. Department of Agriculture				<u>435,827</u>
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
No Child Left Behind (NCLB):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		664,716
Title II, Part A, Supporting Effective Instruction Local	84.367	14341		190,205
Title III, Limited English Proficiency	84.365	14346		72,269
Department of Rehabilitation: Workability II, Transitions Partnership	84.126	10006		145,181
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894		62,837
Individuals with Disabilities Education Act (IDEA):				
Local Assistance Entitlement	84.027	13379	1,892,465	
Preschool Local Entitlement, Part B	84.173A	13682	160,374	
Total Special Education (IDEA) Cluster				2,052,839
Total U.S. Department of Education				<u>3,188,047</u>
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education:				
Medical Assistance Cluster:				
Medi-Cal Billing Option	93.778	10013	61,812	
Medi-Cal Administrative Activities (MAA)	93.778	N/A	2,961	
Total Medical Assistance Cluster				64,773
Total U.S. Department of Health & Human Services				<u>64,773</u>
Total Expenditures of Federal Awards				<u>\$ 3,688,647</u>

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*General Fund Selected Financial Information Three-Year Summary of Revenues, Expenditures,  
and Changes in Fund Balance*

*For the Fiscal Year Ended June 30, 2017*

	Actual Results for the Years*					
	(Amounts in thousands)					
	2016-17		2015-16		2014-15	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
<b>Revenues</b>						
Federal revenue	\$ 3,239	2.82	\$ 3,086	2.69	\$ 3,242	2.83
State and local revenue included in LCFF	88,676	77.27	83,348	72.63	74,812	65.19
Other state revenue	12,029	10.48	17,074	14.88	8,510	7.42
Other local revenue	10,811	9.42	11,249	9.80	11,785	10.27
<b>Total Revenues</b>	<b>114,755</b>	<b>100.00</b>	<b>114,757</b>	<b>100.00</b>	<b>98,349</b>	<b>100.00</b>
<b>Expenditures</b>						
Salaries and benefits						
Certificated salaries	52,142	45.44	50,498	44.00	47,302	48.10
Classified salaries	19,115	16.66	18,722	16.31	17,340	17.63
Employee benefits	22,267	19.40	20,059	17.48	17,918	18.22
Subtotal salaries and benefits	93,524	81.50	89,279	77.80	82,560	83.95
Books and supplies	3,554	3.10	4,261	3.71	5,532	5.62
Services and operating expenditures	11,457	9.98	10,952	9.54	10,391	10.57
Capital outlay	1,266	1.10	924	0.81	192	0.20
Other outgo	1,075	0.94	764	0.67	598	0.61
<b>Total Expenditures</b>	<b>110,876</b>	<b>96.62</b>	<b>106,180</b>	<b>92.53</b>	<b>99,273</b>	<b>100.94</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,879	3.38	8,577	7.47	(924)	(0.94)
<b>Other Financing Sources and Uses</b>						
Interfund transfers out	(635)	(0.55)	(500)	(0.44)	(425)	(0.43)
<b>Total Other Financing Sources and Uses</b>	<b>(635)</b>	<b>(0.55)</b>	<b>(500)</b>	<b>(0.44)</b>	<b>(425)</b>	<b>(0.43)</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	3,244	2.83	8,077	7.04	(1,349)	(1.37)
Fund Balances, Beginning	26,405		18,328		19,677	
Fund Balances, Ending	\$ 29,649		\$ 26,405		\$ 18,328	

\*Actual results do not include the STRS on behalf contributions from the State.



# LAS VIRGENES UNIFIED SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2017

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## NOTE 1 – PURPOSE OF SCHEDULES

### Individual Combining Financial Statements

Individual combining balance sheets and statements of revenues, expenditures and changes in fund balance have been presented for the non-major 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.

### Schedule of Average Daily Attendance (ADA)

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

### Schedule of Instructional Time

The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has not met its target funding. 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.

### Schedule of Financial Trends and Analysis

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

### Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

### Schedule of Expenditures of Federal Awards

The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2017.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances (Governmental & Proprietary)		\$ 5,524,621
Differences between Federal Revenues and Expenditures:		
Qualified School Construction Bonds - Interest Subsidy	Not applicable	(1,849,351)
Medi-Cal Billing Option	93.778	<u>13,377</u>
Total Schedule of Expenditures of Federal Awards		<u>\$ 3,688,647</u>

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*Note to the Supplementary Information*

*June 30, 2017*

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**NOTE 1 - PURPOSE OF SCHEDULES (continued)**

**General Fund Selected Financial Information**

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

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***Other Independent Auditors' Reports***

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

Board of Education  
Las Virgenes Unified School District  
Calabasas, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Las Virgenes Unified School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Las Virgenes Unified School District's basic financial statements, and have issued our report thereon dated November 13, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Las Virgenes Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Las Virgenes Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Las Virgenes Unified School District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Las Virgenes 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2017-001.

**Las Virgenes Unified School District's Response to Findings**

Las Virgenes Unified School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Las Virgenes Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Nigro+Nigro, PC". The signature is written in a cursive, slightly slanted style.

Murrieta, California  
November 13, 2017

**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Board of Education  
Las Virgenes Unified School District  
Calabasas, California

**Report on State Compliance**

We have audited Las Virgenes Unified School District's compliance with the types of compliance requirements described in the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Las Virgenes Unified School District's state government programs as noted on the following page for the fiscal year ended June 30, 2017.

**Management's Responsibility**

Management is responsible for compliance with state laws, regulations, and the terms and conditions of its State programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Las Virgenes Unified School District's state programs based on our audit of the types of compliance requirements referred to on the following page. 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 the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Las Virgenes 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 on compliance for each state program. However, our audit does not provide a legal determination of Las Virgenes Unified School District's compliance.

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

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	No (see below)
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes



Description	Procedures Performed
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Immunizations	Yes
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for independent study and continuation education because the ADA was under the level that requires testing.

***Unmodified Opinion on Compliance with State Programs***

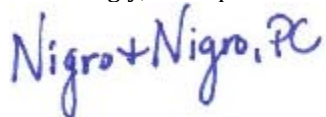
In our opinion, Las Virgenes Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2017.

***Other Matter(s)***

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to previously, which is required to be reported in accordance with the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and which is described in the accompanying schedule of findings and questioned costs as Finding 2017-001. Our opinion on each state program is not modified with respect to these matters.

***District's Response to Finding***

Las Virgenes Unified School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Las Virgenes Unified School District's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response.



Murrieta, California  
November 13, 2017



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Education  
Las Virgenes Unified School District  
Calabasas, California

**Report on Compliance for Each Major Federal Program**

We have audited Las Virgenes Unified School District's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Las Virgenes Unified School District's major federal programs for the year ended June 30, 2017. Las Virgenes Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Las Virgenes Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Las Virgenes 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Las Virgenes Unified School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Las Virgenes Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

### **Report on Internal Control Over Compliance**

Management of Las Virgenes Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Las Virgenes Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Murrieta, California  
November 13, 2017

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***Findings and Questioned Costs***

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**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2017*

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

Type of auditor's report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

***Federal Awards***

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None Reported</u>
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 200.516	<u>No</u>
Identification of major programs:	
<u>CFDA Numbers</u> <u>Name of Federal Program or Cluster</u>	
<u>84.027, 84.173</u> <u>Special Education (IDEA) Cluster</u>	
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

***State Awards***

Type of auditor's report issued on compliance for state programs:	<u>Unmodified</u>
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**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2017*

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

***There were no financial statement findings in 2016-17.***

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2017*

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

*There were no federal award findings or questioned costs in 2016-17.*



**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2017*

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**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS**

**Finding 2017-001: CALPADS Unduplicated Pupil Counts (40000)**

**Criteria:** Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:

- Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (*EC* sections 2574(b)(2) and 42238.02(b)(1)).
- Divided by total enrollment in the LEA (*EC* sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

**Condition:** During our testing of English Learners (EL) reported in the CALPADS 1.17 and 1.18 reports, we noted that sixteen students were reported as having the English learner designation for the 2016-17 fiscal year but were not eligible based on the District reclassification policy.

**Context:** We noted errors at three of the six schools tested, for a total of 16 exceptions.

**Cause:** The District failed to reclassify that had meet the District's reclassification criteria.

**Questioned Cost:** \$3,956. This amount was determined by calculating the difference between the District's original total LCFF revenues and the LCFF revenues adjusted for the decrease in the unduplicated pupil counts.

**Effect:** The unduplicated pupil counts reported in the CALPADS 1.17 and 1.18 reports should be adjusted for the following changes as a result of the procedures performed:

School Site	CALPADS Reported	Adjusted based on eligibility for:	Adjusted Total
		EL Funding	
Agoura High	152	(5)	147
Alice C. Stelle Middle	115	(9)	106
Matriposa School of Global Education	47	(2)	45
Aggregate Remaining School Sites	1,314	-	1,314
District-wide	1,628	(16)	1,612

Total enrollment of 11,530 was not adjusted based on the results of our procedures.

**Recommendation:** We recommend that the English learner reclassification policy be modified to define the use of the District prescribed criteria for reclassification. All pupils who are found English proficient based on the District reclassification policy should have their statuses updated in CALPADS prior to the submission deadline.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2017*

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**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS (continued)**

**Finding 2017-001: CALPADS Unduplicated Pupil Counts (40000) (continued)**

**Views of Responsible Officials:** LVUSD has developed a system for ongoing review of our data of unduplicated students and Title I students. On the English Learner front, EL data is queried every five weeks by a staff member who reviews the coded language designation in our SIS against the information found in student records, CELDT, and reclassification paperwork, if applicable. This staff member is filling a new position designated for ensuring that our data is accurate for CALPADS.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Summary Schedule of Prior Audit Findings*  
*For the Fiscal Year Ended June 30, 2017*

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*There were no findings or questioned costs in 2015-16.*

To the Board of Education  
Las Virgenes Unified School District  
Calabasas, California

In planning and performing our audit of the basic financial statements of Las Virgenes Unified School District for the year ending June 30, 2017, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated November 13, 2017, on the financial statements of Las Virgenes Unified School District.

#### **ASSOCIATED STUDENT BODY (ASB) FUNDS**

**Observation:** It was noted that the District has been working to support its student body organizations as part of its on-going effort to reduce audit exceptions over ASB operations. During September 2017, the District offered an ASB Accounting presentation at both of its comprehensive high schools to reinforce proper accounting and documentation. At these presentations were ASB bookkeepers, administrators, and ASB class students. The issues outline below were compiled during our initial visit in the early spring and prior to the trainings.

**Recommendation:** The District should continue to offer on-going support and training for all of those engaged in the operation of the ASB.

**Observation:** During our review of disbursements, we noted that approvals are not consistently obtained prior to making a purchase. We noted exceptions at Agoura High, Calabasas High and Stelle Middle.

**Recommendation:** As a “best practice”, approval by required parties should be obtained before the actual commitment to purchase the items in order to ensure the expense is a proper use of student-body funds and falls within budgetary guidelines. Education Code Section 48933(b) requires all payments from ASB funds be authorized by a student representative, an advisor, and a district representative prior to disbursing the funds.

**Observation:** In our test of cash disbursements at Calabasas High, we noted multiple instances where supporting documentation such as an invoice, proper authorization, and proof of receipt, was not maintained on file. Issuing payment for expenditures without proper approvals and supporting documentation can provide the opportunity for the misappropriation of student funds.

**Recommendation:** We recommend that the site require all approvals and appropriate supporting documentation prior to issuing disbursements to ensure that student funds are being properly spent.

## **ASSOCIATED STUDENT BODY (ASB) FUNDS (continued)**

**Observation:** During our testing of cash receipts at Agoura High we identified deposits which were lacking complete supporting documentation. Without adequate and complete supporting documentation, we could not verify whether all cash collected had been deposited intact and into the correct ASB account. Additionally, we found deposits that were not made in a timely manner. These untimely deposits were collected by other departments at the school and were delayed in being delivered to the ASB bookkeeper.

**Recommendation:** We recommend that before any events are held, control procedures should be established that will allow for the reconciliation between money collected and fundraiser sales. Sound internal controls for handling cash discourage theft of ASB funds and protect those who handle the cash. It is important to tie all proceeds to the specific fundraiser from which they were generated and to ensure that all proceeds from an event are turned in and properly accounted for. Additionally, we recommend that the site emphasize to the advisors and teachers that deposits should be made to the bookkeeper on a weekly basis or more often as needed.

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

*Nigro+Nigro, PC*

Murrieta, California  
November 13, 2017