# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## AUDIT REPORT

## For the Fiscal Year Ended June 30, 2014

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**
*For the Fiscal Year Ended June 30, 2014*
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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, 2014, 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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14.* 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, 2014, 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.



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**Emphasis of Matter**
As discussed in Note 1.G. to the basic financial statements, the District has changed its method for accounting and reporting certain items previously reported as assets or liabilities during fiscal year 2013-2014 due to the adoption of Governmental Accounting Standards Board Statement No. 65, *"Items Previously Reported as Assets and Liabilities"*. The adoption of this standard required retrospective application resulting in a $2,055,123 reduction of previously reported net position at July 1, 2013. Our opinion is not modified with respect to this matter.

**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 11, budgetary comparison information on page 42, and schedule of funding progress on page 43 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 Las Virgenes Unified School District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, is the responsibility of management and was derived from and relates 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***
In accordance with *Government Auditing Standards,* we have also issued our report dated December 2, 2014 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.

Nigro & Nigro, PC

Murrieta, California
December 2, 2014

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, 2014. 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 $0.3 million, primarily due to an increase in state revenue from LCFF, offset by capital outlay expenditures.
- The District's overall financial status declined from last year, as the net position decreased by 7.2% to $58.1 million for governmental activities.
- Total governmental revenues were $110.5 million, $4.5 million less than expenses.
- The total cost of basic programs was $115.0 million. Because a portion of these costs were paid for with charges, fees, and intergovernmental aid, the net cost that required taxpayer funding was $97.1 million.
- Average daily attendance (grades K-12) decreased by 106, or 1.0%.

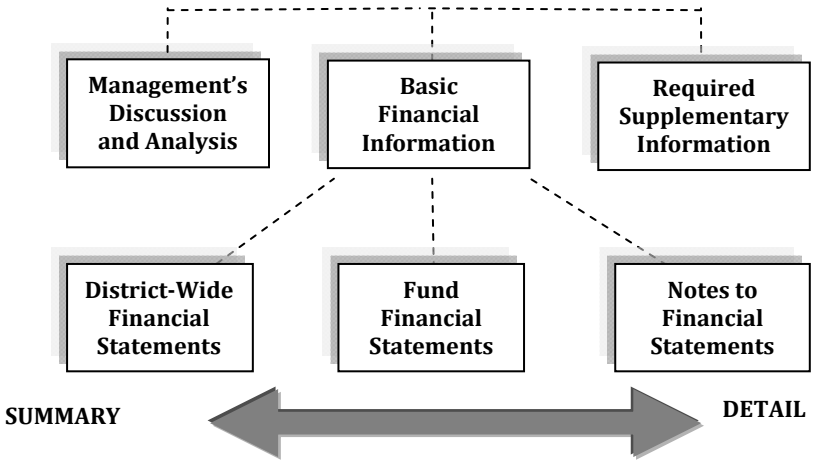
## OVERVIEW OF THE FINANCIAL STATEMENTS

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.

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.

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



**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**

| Type of Statements | District-Wide | Governmental Funds | Proprietary Funds | Fiduciary Funds |
|---|---|---|---|---|
| *Scope* | 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 |
| *Required financial statements* | • Statement of Net Position<br>• Statement of Activities | • Balance Sheet<br>• Statement of Revenues, Expenditures & Changes in Fund Balances | • Statement of Net Position<br>• Statement of Revenues, Expenses & Changes in Net Position<br>• Statement of Cash Flows | • Statement of Fiduciary Net Position<br>• Statement of Changes in Fiduciary Net Position |
| *Accounting basis and measurement focus* | 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 |
| *Type of asset/liability information* | 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 |
| *Type of inflow/outflow information* | 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.

**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.

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

**Fund Financial Statements (continued)**

- *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.

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

**Net Position.** The District's combined net position was lower on June 30, 2014, than it was the year before – decreasing 7.2% to $58.1 million (See Table A-1).

**Table A-1**

| | Governmental Activities (In millions) | | Variance Increase | Business-Type Activities (In millions) | |
|---|---|---|---|---|---|
| | 2014 | 2013* | (Decrease) | 2014 | 2013 |
| Current assets | $ 63.0 | $ 70.8 | $ (7.8) | $ 6.0 | $ 0.6 |
| Capital assets | 232.3 | 239.5 | (7.2) | - | - |
| **Total assets** | 295.3 | 310.3 | (15.0) | 6.0 | 0.6 |
| Deferred outflow of resources | 0.2 | 0.3 | (0.1) | - | - |
| Current liabilities | 9.7 | 18.2 | (8.5) | 0.1 | 0.1 |
| Long-term liabilities | 227.7 | 229.8 | (2.1) | - | - |
| **Total liabilities** | 237.4 | 248.0 | (10.6) | 0.1 | 0.1 |
| Net position | | | | | |
| Net investment in capital assets | 68.4 | 70.8 | (2.4) | - | - |
| Restricted | 26.6 | 21.0 | 5.6 | 0.5 | 0.5 |
| Unrestricted | (36.9) | (29.2) | (7.7) | - | - |
| **Total net position** | $ 58.1 | $ 62.6 | $ (4.5) | $ 0.5 | $ 0.5 |

*Restated

**Changes in net position, governmental activities.** The District's total revenues increased 4.7% to $110.5 million (See Table A-2). The increase is due primarily to the LCFF funding model.

The total cost of all programs and services increased 5.7% to $115.0 million. The District's expenses are predominantly related to educating and caring for students, 77%. The purely administrative activities of the District accounted for just 4% of total costs. A significant contributor to the increase in costs was an increase in instructional materials, supplies, and services performed.

**Table A-2**

| | Governmental Activities (In millions) | | Variance Increase | Business-Type (In millions) | | Variance Increase |
|---|---|---|---|---|---|---|
| | 2014 | 2013* | (Decrease) | 2014 | 2013 | (Decrease) |
| Total Revenues | $ 110.5 | $ 105.5 | $ 5.0 | $ 1.9 | $ 1.9 | $ - |
| Total Expenses | 115.0 | 108.8 | 6.2 | 1.9 | 1.9 | - |
| Increase (decrease) in net position | $ (4.5) | $ (3.3) | $ (1.2) | $ - | $ - | $ - |

*Restated

## 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 $54.6 million, which is above last year's ending fund balance of $54.3 million. The primary cause of the increased fund balance is the increase in state revenue from the LCFF model, offset by capital outlay expenditures.

### 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 $2.5 million primarily to reflect increased Federal categorical and local revenues.
- Salaries and benefits costs – remained stable with prior year due to changes in the collective bargaining agreement offset by temporary vacancies.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about $1.1 million, the actual results for the year show that revenues exceeded expenditures by roughly $2.0 million. Actual revenues were $2.2 million more than anticipated, and expenditures were $0.9 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2014 that will be carried over into the 2014-15 budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

By the end of 2013-14 the District had invested $1.9 million in new capital assets, related to the District's ongoing investment in capital improvements, primarily the construction of the Performing Arts Education Centers. (More detailed information about capital assets can be found in Note 7 to the financial statements). Total depreciation expense for the year exceeded $9.1 million.

**Table A-3: Capital Assets at Year-End, net of depreciation**

| | Governmental Activities (In millions) | | Variance Increase (Decrease) |
|---|---|---|---|
| | 2014 | 2013 | |
| Land | $ 14.9 | $ 14.9 | $ - |
| Land improvements | 5.9 | 6.3 | (0.4) |
| Buildings | 208.3 | 213.0 | (4.7) |
| Equipment | 3.2 | 4.3 | (1.1) |
| Construction in progress | - | 1.0 | (1.0) |
| Total | $ 232.3 | $ 239.5 | $ (7.2) |

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

**Long-Term Debt**
At year-end the District had approximately $227.7 million in general obligation bonds, certificates of participation, compensated absences, early retirement incentives, and employment benefits – a decrease from last year – as shown in Table A-4. (More detailed information about the District's long-term liabilities can be found in Note 8 to the financial statements).

**Table A-4: Outstanding Long-Term Debt at Year-End**

| | Governmental Activities (In millions) | | Variance Increase |
|---|---|---|---|
| | 2014 | 2013 | (Decrease) |
| General obligation bonds | $ 207.3 | $ 210.7 | $ (3.4) |
| Certificates of participation | 11.4 | 11.7 | (0.3) |
| Compensated absences | 0.8 | 0.8 | - |
| Early retirement incentive | 0.1 | 0.1 | - |
| Other postemployment benefits | 8.1 | 6.5 | 1.6 |
| Total | $ 227.7 | $ 229.8 | $ (2.1) |

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

**Budget Overview**

The Governor signed the *2014-15 Budget Act* on June 20, 2014. In late June, the Governor signed 17 budget-related bills into law. The 2014-15 budget package assumes total state spending of $152.3 billion, an increase of 8.6 percent over revised totals for 2013-14. This consists of $108 billion from the General Fund and the Education Protection Account created by Proposition 30 (2012), and $44.3 billion from special funds. The budget package assumes spending from federal funds to be $98 billion, an increase of 20.9 percent over 2013-14 revised levels, mainly due to increases in the health area of the budget. Bond spending is expected to decline 53 percent in 2014-15.

**Major Features of the 2014-15 Spending Plan**

Similar to the 2013-14 budget, the 2014-15 spending plan makes targeted augmentations in a few areas while paying down several billion dollars in key liabilities. In addition, if certain revenue and other targets are met, additional spending—mostly for paying down debt—would be "triggered" under the budget plan.

***Fully Funds CalSTRS Pension Program***
As of the end of 2012-13, the California State Teachers' Retirement System (CalSTRS) had a $74 billion shortfall. Budget-related legislation aims to erase the unfunded liability in 32 years by increasing contributions from the state, school and community college districts, and teachers.

***Proposition 98***
The budget plan includes large Proposition 98 funding increases for schools and community colleges. The Proposition 98 budget continues implementation of the Local Control Funding Formula, pays down most of the remaining payment deferrals, and pays down several hundred million dollars of other Proposition 98 obligations.

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

**Spending Changes**
Funding for K-14 education increases significantly under the new budget package. In the sections that follow, we describe how the State is spending these funds.

**Deferral Payments**

***Pays Down $5.2 Billion in Outstanding Deferrals***
The budget package pays down $5.2 billion in outstanding deferrals ($4.7 billion for schools and $498 million for community colleges). Of the total paydown, $1.4 billion is designated as 2012-13 spending, $3.1 billion is designated as 2013-14 spending, and $662 million is designated as 2014-15 spending. Under the budget plan, $992 million in deferrals ($897 million for schools and $94 million for community colleges) would remain outstanding at the end of 2014-15.

***Eliminates Remaining Deferrals if Minimum Guarantee Exceeds Estimates***
The budget package pays down additional deferrals (potentially eliminating all outstanding deferrals) if subsequent estimates of the 2013-14 and 2014-15 minimum guarantees are higher than the administration's May 2015 estimates. Effectively, the budget plan earmarks the first $992 million in potential additional 2013-14 and 2014-15 spending for deferral paydowns.

**Mandates**

***Pays Down $450 Million in Outstanding Education Mandate Claims***
We estimate the State currently has a backlog of more than $5 billion in unpaid claims for education mandates. The budget includes $400 million to reduce the mandate backlog for schools. (Of this amount, $287 million is 2014-15 Proposition 98 funding and $113 million is from unspent prior-year fund.) Funds will be distributed to schools and community colleges on a per-student basis.

***Adds Several Mandates to School and Community College Block Grants***
The Commission on State Mandates recently approved seven new reimbursable education mandates. Six of these mandates apply to schools, two apply to community colleges, and one applies to both schools and community colleges. For schools, the budget adds to the block grant mandates related to (1) parental involvement procedures, (2) compliance activities associated with the *Williams v. California* case, (3) uniform complaint procedures, (4) developer fees, (5) charter school oversight, and (6) public contracts.

**Energy Grants**

***State Provides Second-Year Funding for Energy Projects***
Passed by voters in November 2012, Proposition 39 increases state corporate tax revenues and requires for a five-year period, starting in 2013-14, that a portion of these revenues be used to improve energy efficiency and expand the use of alternative energy in public buildings. The 2014-15 budget provides $345 million Proposition 98 General Fund for Proposition 39 school and community college energy programs. Specifically, the budget provides $279 million for school grants, $38 million for community colleges grants, and $28 million for the revolving loan program for both schools and community colleges. (Estimates of Proposition 39 revenues are lower in 2014-15 compared to 2013-14, resulting in less provided for school and community college grants.) The budget also provides $8 million non-Proposition 98 General Fund for Proposition 39 job-training programs administered by the California Conservation Corps ($5 million) and the California Workforce Investment Board ($3 million).

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

**Chapter 751 Obligation**

***Makes Final $410 Million Payment on Outstanding Proposition 98 Obligations From 2004-05 and 2005-06***
The 2014-15 budget makes a final $410 million payment to retire the state's obligation set forth in Chapter 751, Statutes of 2006 (SB 1133, Torlakson). Chapter 751 required the state to provide additional annual school and community college payments until a total of $2.8 billion had been provided. Of the amount provided in the budget package, $316 million is for continued funding of the QEIA program ($268 million for schools and $48 million for community colleges) and $94 million is to pay down a separate state obligation related to school facility repairs.

**K-12 Education**
The largest K-12 augmentation is for the second-year phase in of the recently adopted Local Control Funding Formula (LCFF). The budget also includes several other school-specific augmentations—some of which relate to school operations and some of which relate to school infrastructure. In addition to these budget actions, the Legislature adopted trailer legislation relating to school district reserves and independent study (IS) programs.

**Operational Funding**

***Provides $4.7 Billion for LCFF Implementation***
The budget plan includes $4.7 billion in additional funding for the school district LCFF—resulting in per-pupil LCFF funding that is 12 percent higher than 2013-14 levels. The additional funding is sufficient to close 29 percent of the gap between districts' 2013-14 funding levels and their target funding rates. We estimate the 2014-15 funding level is approximately 80 percent of the full implementation cost. The budget also includes $26 million for the LCFF for county offices of education (COEs). This increase is sufficient to bring all COEs up to their LCFF funding targets in 2014-15.

***Other Notable K-12 Actions***
The budget provides $54 million to continue implementation of new student assessments and $33 million to provide a cost-of-living adjustment (COLA) for several K-12 programs (including special education and child nutrition programs).

**Infrastructure**

***Allocates $189 Million for Emergency Repair Program (ERP)***
Chapter 899, Statutes of 2004 (SB 6, Alpert), created the ERP to fund critical repair projects at certain low-performing schools. Chapter 899 requires the state to contribute a total of $800 million for the program. The state has provided $338 million to date. The budget provides $189 million for the ERP in 2014-15.

***Allocates $27 Million in One-Time Funds for School Internet Infrastructure***
The budget includes $27 million in one-time Proposition 98 funding for schools to purchase Internet connectivity infrastructure upgrades required to administer new computer-based tests. Grantees are to be selected based on the results of a statewide assessment of schools' Internet connectivity infrastructure to be completed by the K-12 High-Speed Network (HSN) by March 1, 2015.

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

***Shifts Remaining Bond Authority Among Certain School Facility Programs***
The budget package shifts remaining bond authority from the Career Technical Education (CTE) and High Performance Incentive (HPI) school facility programs to the New Construction and Modernization facility programs.

**Local Reserves**

***Requires School Districts to Disclose and Justify Reserves***
Chapter 32, Statutes of 2014 (SB 858, Committee on Budget and Fiscal Review), creates new disclosure requirements effective beginning in 2015-16 for districts that have reserves exceeding state-specified minimums. If a district's budget reserve exceeds the state minimum, Chapter 32 requires the district to identify the amount of reserves that exceed the minimum and explain why the higher reserve levels are necessary. The district must disclose this information in a public meeting and each time it submits a budget to its COE.

***Caps Local Reserves Some Years Under Proposition 2***
Proposition 2 on the November 2014 ballot set forth new constitutional provisions relating to state reserves, including provisions relating to a new state reserve for schools. With the voters approving Proposition 2, certain provisions of Chapter 32 go into effect. These provisions cap school districts' reserve levels the year after the state makes a deposit into the new state reserve for schools. The caps for most districts will range from 3 percent to 10 percent of a district's annual expenditures.

All of these factors were considered in preparing the Las Virgenes Unified School District budget for the 2014-15 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, 2014*

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets:** | | | |
| Cash | $ 56,676,331 | $ 506,574 | $ 57,182,905 |
| Accounts receivable | 6,223,040 | 73,232 | 6,296,272 |
| Inventories | 140,699 | 36,291 | 176,990 |
| Prepaid expenditures | 11,145 | - | 11,145 |
| Total current assets | 63,051,215 | 616,097 | 63,667,312 |
| **Capital assets:** | | | |
| Non-depreciable assets | 14,853,507 | - | 14,853,507 |
| Depreciable assets | 301,331,359 | 440,674 | 301,772,033 |
| Less accumulated depreciation | (83,898,637) | (433,635) | (84,332,272) |
| Total capital assets, net of depreciation | 232,286,229 | 7,039 | 232,293,268 |
| Total assets | 295,337,444 | 623,136 | 295,960,580 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Deferred amount on refunding | 169,771 | - | 169,771 |
| **LIABILITIES** | | | |
| **Current liabilities:** | | | |
| Accounts payable | 8,565,218 | 135,783 | 8,701,001 |
| Unearned revenue | 1,097,130 | - | 1,097,130 |
| Total current liabilities | 9,662,348 | 135,783 | 9,798,131 |
| **Long-term liabilities:** | | | |
| Due or payable within one year | 10,141,643 | - | 10,141,643 |
| Due or payable after one year | 217,588,455 | - | 217,588,455 |
| Total long-term liabilities | 227,730,098 | - | 227,730,098 |
| Total liabilities | 237,392,446 | 135,783 | 237,528,229 |
| **NET POSITON** | | | |
| Net investment in capital assets | 68,453,116 | 7,039 | 68,460,155 |
| Restricted for: | | | |
| Capital projects | 6,437,624 | - | 6,437,624 |
| Debt service | 15,514,924 | - | 15,514,924 |
| Educational programs | 4,616,015 | - | 4,616,015 |
| Nutritional services | - | 480,314 | 480,314 |
| Unrestricted | (36,906,910) | - | (36,906,910) |
| Total net position | $ 58,114,769 | $ 487,353 | $ 58,602,122 |

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2014*

| | | Program Revenues | | Net (Expense) Revenue and Changes in Net Position | | |
|---|---|---|---|---|---|---|
| **Functions/Programs** | **Expenses** | **Charges for Services** | **Operating Grants and Contributions** | **Governmental Activities** | **Business-Type Activities** | **Total** |
| **Governmental Activities:** | | | | | | |
| Instructional Services: | | | | | | |
| Instruction | $ 69,362,949 | $ 184,407 | $ 7,977,295 | $ (61,201,247) | $ - | $ (61,201,247) |
| Instruction-Related Services: | | | | | | |
| Supervision of instruction | 1,889,790 | 13,136 | 2,433,442 | 556,788 | - | 556,788 |
| Instructional library, media and technology | 1,922,239 | 141,933 | 158,347 | (1,621,959) | - | (1,621,959) |
| School site administration | 7,251,733 | - | 38,755 | (7,212,978) | - | (7,212,978) |
| Pupil Support Services: | | | | | | |
| Home-to-school transportation | 2,356,151 | 12,085 | 675,818 | (1,668,248) | - | (1,668,248) |
| All other pupil services | 5,653,129 | 56,727 | 1,404,981 | (4,191,421) | - | (4,191,421) |
| General Administration Services: | | | | | | |
| Data processing services | 93,196 | - | - | (93,196) | - | (93,196) |
| Other general administration | 4,342,612 | 9,058 | 285,496 | (4,048,058) | - | (4,048,058) |
| Plant services | 9,413,578 | 337,047 | 510,169 | (8,566,362) | - | (8,566,362) |
| Ancillary services | 562,621 | 56,787 | 63,355 | (442,479) | - | (442,479) |
| Interest on long-term debt | 11,680,040 | - | - | (11,680,040) | - | (11,680,040) |
| Other outgo | 432,592 | 1,594,875 | 1,952,845 | 3,115,128 | - | 3,115,128 |
| Total Governmental Activities | 114,960,630 | 2,406,055 | 15,500,503 | (97,054,072) | - | (97,054,072) |
| **Business-Type Activities:** | | | | | | |
| Food Services | 1,952,252 | 1,632,250 | 354,575 | - | 34,573 | 34,573 |
| Total Business-Type Activities | 1,952,252 | 1,632,250 | 354,575 | - | 34,573 | 34,573 |
| Total | $ 116,912,882 | $ 4,038,305 | $ 15,855,078 | (97,054,072) | 34,573 | (97,019,499) |
| | **General Revenues:** | | | | | |
| | Property taxes | | | 54,416,050 | - | 54,416,050 |
| | Federal and state aid not restricted to specific purpose | | | 32,620,966 | - | 32,620,966 |
| | Interest and investment earnings | | | 192,995 | 2,623 | 195,618 |
| | Interagency revenues | | | 5,345,742 | - | 5,345,742 |
| | Total general revenues | | | 92,575,753 | 2,623 | 92,578,376 |
| | Change in net position | | | (4,478,319) | 37,196 | (4,441,123) |
| | Net position - July 1, 2013, as originally stated | | | 64,648,211 | 450,157 | 65,098,368 |
| | Adjustment for restatement | | | (2,055,123) | - | (2,055,123) |
| | Net position - July 1, 2013, restated | | | 62,593,088 | 450,157 | 63,043,245 |
| | Net position - June 30, 2014 | | | $ 58,114,769 | $ 487,353 | $ 58,602,122 |

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

*Balance Sheet – Governmental Funds*

*June 30, 2014*

| | General Fund | Building Fund | Capital Facilities Fund | Bond Interest and Redemption Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash | $ 21,354,789 | $ 11,330,274 | $ 6,422,531 | $ 15,514,924 | $ 1,752,605 | $ 56,375,123 |
| Accounts receivable | 5,245,704 | 41,120 | 19,924 | - | 5,154 | 5,311,902 |
| Inventories | 140,699 | - | - | - | - | 140,699 |
| Prepaid expenditures | 11,145 | | | | - | 11,145 |
| Total Assets | $ 26,752,337 | $ 11,371,394 | $ 6,442,455 | $ 15,514,924 | $ 1,757,759 | $ 61,838,869 |
| **LIABILITIES AND FUND BALANCES** | | | | | | |
| **Liabilities** | | | | | | |
| Accounts payable | $ 5,978,086 | $ 90,067 | $ 4,831 | $ - | $ 33,732 | $ 6,106,716 |
| Unearned revenue | 1,097,130 | - | - | - | - | 1,097,130 |
| Total Liabilities | 7,075,216 | 90,067 | 4,831 | - | 33,732 | 7,203,846 |
| **Fund Balances** | | | | | | |
| Nonspendable | 177,725 | - | - | - | - | 177,725 |
| Restricted | 4,616,015 | 11,281,327 | 6,437,624 | 15,514,924 | - | 37,849,890 |
| Committed | - | - | - | - | 1,724,033 | 1,724,033 |
| Assigned | 3,157,042 | - | - | - | - | 3,157,042 |
| Unassigned | 11,726,339 | - | - | - | (6) | 11,726,333 |
| Total Fund Balances | 19,677,121 | 11,281,327 | 6,437,624 | 15,514,924 | 1,724,027 | 54,635,023 |
| Total Liabilities and Fund Balances | $ 26,752,337 | $ 11,371,394 | $ 6,442,455 | $ 15,514,924 | $ 1,757,759 | $ 61,838,869 |

## LAS VIRGENES UNIFIED SCHOOL DISTRICT

*Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position*
*June 30, 2014*

| | | |
|---|---|---|
| **Total fund balances - governmental funds** | | $ 54,635,023 |
| Amounts reported for governmental *activities* 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 $316,184,866, and the accumulated depreciation is ($83,898,637). | | 232,286,229 |
| 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: | | (8,163,298) |
| 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: | | (2,458,502) |
| 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: | | 910,656 |
| 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: | | 169,771 |
| 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 | 207,267,171 | |
| Certificates of participation payable | 11,395,842 | |
| Compensated absences payable | 826,787 | |
| Supplementary retirement plan | 77,000 | (219,566,800) |
| 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: | | 301,690 |
| **Total net position - governmental activities** | | $ 58,114,769 |

## LAS VIRGENES UNIFIED SCHOOL DISTRICT

*Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*
*For the Fiscal Year Ended June 30, 2014*

| | General Fund | Building Fund | Capital Facilities Fund | Bond Interest and Redemption Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | |
| LCFF sources | $ 68,233,405 | $ - | $ - | $ - | $ - | $ 68,233,405 |
| Federal sources | 2,986,502 | - | - | 1,997,896 | - | 4,984,398 |
| Other state sources | 11,520,654 | - | - | 65,150 | - | 11,585,804 |
| Other local sources | 11,839,189 | 84,355 | 537,320 | 13,231,449 | 9,962 | 25,702,275 |
| Total Revenues | 94,579,750 | 84,355 | 537,320 | 15,294,495 | 9,962 | 110,505,882 |
| **EXPENDITURES** | | | | | | |
| Current: | | | | | | |
| Instruction | 59,548,059 | - | - | - | - | 59,548,059 |
| Instruction-Related Services: | | | | | | |
| Supervision of instruction | 1,858,722 | - | - | - | - | 1,858,722 |
| Instructional library, media and technology | 1,904,565 | - | - | - | - | 1,904,565 |
| School site administration | 7,102,217 | - | - | - | - | 7,102,217 |
| Pupil Support Services: | | | | | | |
| Home-to-school transportation | 2,355,483 | - | - | - | - | 2,355,483 |
| All other pupil services | 5,579,718 | - | - | - | - | 5,579,718 |
| Ancillary Services | 557,113 | - | - | - | - | 557,113 |
| General Administration Services: | | | | | | |
| Data processing services | 93,196 | - | - | - | - | 93,196 |
| Other general administration | 4,104,268 | - | 15,015 | - | - | 4,119,283 |
| Transfers of Indirect Costs | (59,130) | - | - | - | - | (59,130) |
| Plant services | 8,225,486 | - | - | - | 539,298 | 8,764,784 |
| Capital Outlay | 22,405 | 2,425,524 | 47,229 | - | 6,848 | 2,502,006 |
| Intergovernmental Transfers | 432,592 | - | - | - | - | 432,592 |
| Debt Service: | | | | | | |
| Principal | 265,744 | - | - | 6,478,751 | - | 6,744,495 |
| Interest | 550,000 | - | - | 8,118,316 | - | 8,668,316 |
| Total Expenditures | 92,540,438 | 2,425,524 | 62,244 | 14,597,067 | 546,146 | 110,171,419 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 2,039,312 | (2,341,169) | 475,076 | 697,428 | (536,184) | 334,463 |
| **OTHER FINANCING SOURCES (USES)** | | | | | | |
| Interfund transfers in | - | - | - | - | 350,000 | 350,000 |
| Interfund transfers out | (350,000) | - | - | - | - | (350,000) |
| Total Other Financing Sources and Uses | (350,000) | - | - | - | 350,000 | - |
| Net Change in Fund Balances | 1,689,312 | (2,341,169) | 475,076 | 697,428 | (186,184) | 334,463 |
| Fund Balances, July 1, 2013 | 17,987,809 | 13,622,496 | 5,962,548 | 14,817,496 | 1,910,211 | 54,300,560 |
| Fund Balances, June 30, 2014 | $ 19,677,121 | $ 11,281,327 | $ 6,437,624 | $ 15,514,924 | $ 1,724,027 | $ 54,635,023 |

## 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, 2014*

| | | |
|---|---|---|
| **Total net change in fund balances - governmental funds** | | $ 334,463 |
| 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 | 1,947,483 | |
| Depreciation expense | (9,145,402) | (7,197,919) |
| 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: | | 6,753,751 |
| 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: | | (1,671,597) |
| 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: | | 395,838 |
| 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: | | (3,412,295) |
| 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: | | (37,727) |
| 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: | | 37,833 |
| 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: | | (23,569) |
| 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 decreased by: | | 77,000 |
| 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* .) | | (35,787) |
| 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: | | 301,690 |
| **Change in net position of governmental activities** | | $ (4,478,319) |

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**
*Statement of Net Position - Proprietary Funds*
*June 30, 2014*

| | Governmental Activities: Internal Service | Business-Type Activities: Enterprise Fund |
|---|---|---|
| | Self-Insurance Fund | Food Services |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash | $ 301,208 | $ 506,574 |
| Accounts receivable | 482 | 73,232 |
| Stores inventories | - | 36,291 |
| Total current assets | 301,690 | 616,097 |
| **Noncurrent Assets** | | |
| Capital assets | - | 440,674 |
| Less accumulated depreciation | - | (433,635) |
| Total noncurrent assets | - | 7,039 |
| Total Assets | 301,690 | 623,136 |
| **LIABILITIES** | | |
| Accounts payable and accrued liabilities | - | 135,783 |
| Total liabilities | - | 135,783 |
| **NET POSITION** | | |
| Net investment in capital assets | - | 7,039 |
| Restricted | 301,690 | 480,314 |
| Total net position | $ 301,690 | $ 487,353 |

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds*
*For the Fiscal Year Ended June 30, 2014*

| | Governmental Activities: Internal Service | Business-Type Activities: Enterprise Fund |
|---|---|---|
| | Self-Insurance Fund | Food Services |
| **OPERATING REVENUES** | | |
| Charges for services | $ - | $ 1,575,929 |
| Federal grants | - | 335,791 |
| Other grants | 301,208 | 75,105 |
| Total operating revenues | 301,208 | 1,986,825 |
| **OPERATING EXPENSES** | | |
| Classified salaries | - | 782,606 |
| Employee benefits | - | 300,835 |
| Books and supplies | - | 737,416 |
| Services and other operating expenditures | - | 70,601 |
| Transfers of indirect costs | - | 59,130 |
| Depreciation | - | 1,664 |
| Total operating expenses | - | 1,952,252 |
| Operating income (loss) | 301,208 | 34,573 |
| **NON-OPERATING REVENUES** | | |
| Interest income | 482 | 2,623 |
| Change in net position | 301,690 | 37,196 |
| Net position, July 1, 2013 | - | 450,157 |
| Net position, June 30, 2014 | $ 301,690 | $ 487,353 |

## LAS VIRGENES UNIFIED SCHOOL DISTRICT

*Statement of Cash Flows – Proprietary Funds*
*For the Fiscal Year Ended June 30, 2014*

| | Governmental Activities: Internal Service | Business-Type Activities: Enterprise Fund |
|---|---|---|
| | Self-Insurance Fund | Food Services |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash received from operations | $ - | $ 1,958,931 |
| Self insurance premiums | 301,208 | - |
| Cash paid for operating expenses | - | (1,922,212) |
| Net cash provided (used) by operating activities | 301,208 | 36,719 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Interest on investments | - | 2,517 |
| Net increase in cash | 301,208 | 39,236 |
| Cash, July 1, 2013 | - | 467,338 |
| Cash, June 30, 2014 | $ 301,208 | $ 506,574 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | |
| Operating income (loss) | $ 301,208 | $ 34,573 |
| Adjustments to reconcile operating income(loss) to net cash provided (used) by operating activities: | | |
| Depreciation | - | 1,664 |
| Changes in assets and liabilities: | | |
| Increase in accounts receivable | - | (27,894) |
| Decrease in stores inventories | - | 4,846 |
| Increase in accounts payable | - | 23,530 |
| Net cash provided (used) by operating activities | $ 301,208 | $ 36,719 |

**NONCASH, NONCAPITAL FINANCING ACTIVITIES**
During the year, the District received $54,806 of food commodities from the U.S. Department of Agriculture.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**
*Statement of Fiduciary Net Position*
*June 30, 2014*

| | Agency Funds | | |
|---|---|---|---|
| | Payroll Clearance Fund | Student Body Funds | Total |
| **Assets** | | | |
| Cash | $ 950,051 | $ 1,207,951 | $ 2,158,002 |
| Inventories | - | 21,834 | 21,834 |
| **Total Assets** | $ 950,051 | $ 1,229,785 | $ 2,179,836 |
| **Liabilities** | | | |
| Accounts payable | $ - | $ 1,088 | $ 1,088 |
| Due to student groups | - | 1,228,697 | 1,228,697 |
| Due to regulatory agencies | 950,051 | - | 950,051 |
| **Total Liabilities** | $ 950,051 | $ 1,229,785 | $ 2,179,836 |

## NOTE 1 - SIGNIFICANT ACCOUNTING 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.

The District has no component units that meet the criteria of GASB Statement No. 14 to be included in the financial statements of the District.

### 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.

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.

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

**Major Governmental Funds (continued)**

**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.

**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 Fund:**

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

**Capital Projects Fund:**

**County School Facilities Fund:** This fund is used to account for state apportionments provided for modernization of school facilities under SB50. The District plans to close this fund during 2014/15.

**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.

**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.

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**1. Basis of Presentation (continued)**
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. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. 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.

**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.

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**E. Assets, Deferred Outflows of Resources, Liabilities, 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 fixed assets are recorded at their estimated fair value at the date of donation. 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:

| Description | Estimated Lives |
|---|---|
| Buildings and Improvements | 25-50 years |
| Furniture and Equipment | 15-20 years |
| Vehicles | 8 years |

**4. 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.

**5. 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.

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**6. 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.

**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.

**7. 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 only one item that qualifies for reporting in this category. This item 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.

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 no deferred inflows of resources.

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**8. 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.

**F. 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.

**G. New GASB Pronouncement**

During the 2013-14 fiscal year, the following GASB Pronouncement became effective:

**Statement No. 65, *Items Previously Reported as Assets and Liabilities (Issued 03/12)***

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Due to the implementation of this statement, the calculation of deferred amount on refunding was revised to eliminate the inclusion of costs that should be recognized as an expense in the period incurred and eliminated debt issuance costs which should be recognized as an expense in the period incurred. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively. The result of the implementation of this standard was to decrease the net position at July 1, 2013 by $2,055,123, which is the amount of unamortized debt issuance costs at July 1, 2013.

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. New GASB Pronouncement (continued)**

**Statement No. 65 (continued)**
Concepts Statement No. 4, *Elements of Financial Statements,* introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

**NOTE 2 – CASH**

Cash at June 30, 2014 is reported at fair value and consisted of the following:

| | Governmental Activities | | | Business Type Activities: | |
|---|---|---|---|---|---|
| | Governmental Funds | Internal Service Fund | Total Governmental | Enterprise Fund | Fiduciary Funds |
| Pooled Funds: | | | | | |
| Cash in county treasury | $ 56,217,920 | $ 301,208 | $ 56,519,128 | $ 447,113 | $ 950,051 |
| Deposits: | | | | | |
| Cash on hand and in banks | 131,323 | - | 131,323 | 55,716 | 1,207,951 |
| Cash in revolving fund | 25,880 | - | 25,880 | 3,745 | - |
| Total Deposits | 157,203 | - | 157,203 | 59,461 | 1,207,951 |
| Total Cash | $ 56,375,123 | $ 301,208 | $ 56,676,331 | $ 506,574 | $ 2,158,002 |

**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.

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, 2014, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

**NOTE 2 – CASH (continued)**

**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, 2014, $845,565 of the District's bank balance was exposed to custodial credit risk because it was uninsured. However, the entire bank balance 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, 2014 consisted of the following:

| | Governmental Funds | | | | | Internal Service Fund | Enterprise Fund |
|---|---|---|---|---|---|---|---|
| | General Fund | Building Fund | Capital Facilities Fund | Non-Major Governmental Funds | Totals | Self Insurance Fund | Cafeteria |
| Federal Government: | | | | | | | |
| Categorical aid programs | $ 1,214,795 | $ - | $ - | $ - | $ 1,214,795 | $ - | $ 11,557 |
| State Government: | | | | | | | |
| LCFF | 772,335 | - | - | | 772,335 | - | - |
| Lottery | 847,939 | - | - | - | 847,939 | - | - |
| Categorical aid programs | 1,845,667 | - | - | - | 1,845,667 | - | - |
| Other state resources | 45,389 | - | - | - | 45,389 | - | 606 |
| Local: | | | | | | | |
| Interest | 40,984 | 18,639 | 8,880 | 2,343 | 70,846 | 482 | 993 |
| Miscellaneous | 467,637 | - | - | - | 467,637 | - | 60,076 |
| Other local resources | 10,958 | 22,481 | 11,044 | 2,811 | 47,294 | - | - |
| Total | $ 5,245,704 | $ 41,120 | $ 19,924 | $ 5,154 | $ 5,311,902 | $ 482 | $ 73,232 |

**NOTE 4 - INTERFUND TRANSACTIONS**

**Transfers To/From Other Funds**
Transfers to/from other funds at June 30, 2014 consisted of the following:

| | |
|---|---|
| General Fund transfer to Deferred Maintenance Fund for deferred maintenance match | $ 350,000 |

## NOTE 5 – FUND BALANCES

### 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.

At June 30, 2014, fund balances of the District's governmental funds were classified as follows:

| | General Fund | Building Fund | Capital Facilities Fund | Bond Interest and Redemption Fund | Non-Major Governmental Funds | Total |
|---|---|---|---|---|---|---|
| Nonspendable: | | | | | | |
| Revolving cash | $ 25,880 | $ - | $ - | $ - | $ - | $ 25,880 |
| Stores inventories | 140,700 | - | - | - | - | 140,700 |
| Prepaid expenditures | 11,145 | - | - | - | - | 11,145 |
| Total Nonspendable | 177,725 | - | - | - | - | 177,725 |
| Restricted: | | | | | | |
| Categorical programs | 4,616,015 | - | - | - | - | 4,616,015 |
| Capital projects | - | 11,281,327 | 6,437,624 | - | - | 17,718,951 |
| Debt service | - | - | - | 15,514,924 | - | 15,514,924 |
| Total Restricted | 4,616,015 | 11,281,327 | 6,437,624 | 15,514,924 | - | 37,849,890 |
| Committed: | | | | | | |
| Deferred maintenance program | - | - | - | - | 1,724,033 | 1,724,033 |
| Total Committed | - | - | - | - | 1,724,033 | 1,724,033 |
| Assigned: | | | | | | |
| LCFF deferral | 1,821,885 | - | - | - | - | 1,821,885 |
| School site carryover | 385,190 | - | - | - | - | 385,190 |
| Local categorical carryover | 173,724 | - | - | - | - | 173,724 |
| Employee vacation accrual | 776,243 | - | - | - | - | 776,243 |
| Total Assigned | 3,157,042 | - | - | - | - | 3,157,042 |
| Unassigned: | | | | | | |
| Reserve for economic uncertainties | 2,786,713 | - | - | - | - | 2,786,713 |
| Remaining unassigned balances | 8,939,626 | - | - | - | (6) | 8,939,620 |
| Total Unassigned | 11,726,339 | - | - | - | (6) | 11,726,333 |
| Total | $ 19,677,121 | $ 11,281,327 | $ 6,437,624 | $ 15,514,924 | $ 1,724,027 | $ 54,635,023 |

## NOTE 6 - TAX REVENUE ANTICIPATION NOTES (TRANS)

The District issued $3,955,000 of Tax Revenue Anticipation Notes dated July 1, 2013. The notes matured on June 2, 2014, and yielded 2.0% interest. The notes were sold to supplement cash flow. Repayment requirements were that a percentage of principal and interest be deposited with the fiscal agent each month beginning January 2014, until 100% of principal and interest due was on account.

## NOTE 7 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2014 was as follows:

| | Balance, July 1, 2013 | Additions | Retirements | Balance, June 30, 2014 |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 14,853,507 | $ - | $ - | $ 14,853,507 |
| Construction in progress | 956,726 | 664,230 | 1,620,956 | - |
| Total capital assets not being depreciated | 15,810,233 | 664,230 | 1,620,956 | 14,853,507 |
| Capital assets being depreciated: | | | | |
| Land Improvements | 16,217,631 | 186,044 | - | 16,403,675 |
| Infrastructure | 90,000 | - | - | 90,000 |
| Buildings and Improvements | 270,075,771 | 2,669,784 | - | 272,745,555 |
| Equipment | 12,043,748 | 48,381 | - | 12,092,129 |
| Total capital assets being depreciated | 298,427,150 | 2,904,209 | - | 301,331,359 |
| Accumulated depreciation for: | | | | |
| Land Improvements | (9,924,388) | (540,781) | - | (10,465,169) |
| Infrastructure | (90,000) | - | - | (90,000) |
| Buildings and Improvements | (57,013,193) | (7,412,977) | - | (64,426,170) |
| Equipment | (7,725,654) | (1,191,644) | - | (8,917,298) |
| Total accumulated depreciation | (74,753,235) | (9,145,402) | - | (83,898,637) |
| Total capital assets being depreciated, net | 223,673,915 | (6,241,193) | - | 217,432,722 |
| Governmental activities capital assets, net | $ 239,484,148 | $ (5,576,963) | $ 1,620,956 | $ 232,286,229 |
| **Business-Type Activities** | | | | |
| Capital assets being depreciated: | | | | |
| Equipment | $ 440,674 | $ - | $ - | $ 440,674 |
| Accumulated depreciation for: | | | | |
| Equipment | (431,971) | (1,664) | - | (433,635) |
| Business-Type activities capital assets, net | $ 8,703 | $ (1,664) | $ - | $ 7,039 |

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

| | |
|---|---|
| **Governmental Activities:** | |
| Instruction | $ 8,596,678 |
| All other general administration | 502,997 |
| Plant services | 45,727 |
| Total governmental activities depreciation expense | $ 9,145,402 |
| **Business-Type Activities:** | |
| Food services | $ 1,664 |
| Total depreciation expense | $ 9,147,066 |

## NOTE 8 – GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2014 were as follows:

| | Balance, July 1, 2013 | Additions | Deductions | Balance, June 30, 2014 | Amount Due Within One Year |
|---|---|---|---|---|---|
| General Obligation Bonds: | | | | | |
| Principal repayments | $ 164,058,242 | $ - | $ 6,478,751 | $ 157,579,491 | $ 7,106,365 |
| Accreted interest component | 40,136,278 | 5,523,544 | 2,111,249 | 43,548,573 | 2,333,635 |
| Unamortized issuance premium | 6,536,993 | - | 397,886 | 6,139,107 | 385,191 |
| Total - Bonds | 210,731,513 | 5,523,544 | 8,987,886 | 207,267,171 | 9,825,191 |
| Certificates of Participation: | | | | | |
| Principal repayments | 11,720,000 | - | 275,000 | 11,445,000 | 280,000 |
| Unamortized issuance discount | (51,206) | - | (2,048) | (49,158) | (2,048) |
| Total - Certificates of Participation | 11,668,794 | - | 272,952 | 11,395,842 | 277,952 |
| Compensated Absences | 791,000 | 35,787 | - | 826,787 | - |
| Supplemental Early Retirement | 154,000 | - | 77,000 | 77,000 | 38,500 |
| Other Postemployment Benefits | 6,491,701 | 1,671,597 | - | 8,163,298 | - |
| Totals | $ 229,837,008 | $ 7,230,928 | $ 9,337,838 | $ 227,730,098 | $ 10,141,643 |

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Certificates of participation payments are made by the Capital Facilities Fund. Accumulated vacation, the supplemental early retirement, and other postemployment 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.

**NOTE 8 – GENERAL LONG-TERM DEBT (continued)**

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

**2006 Election (continued)**
Another portion of the bonds is designated as "Qualified School Construction Bonds" for purposes of the Recovery Act. 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.

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 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 $169,771 remain to be amortized. As of June 30, 2014, the principal balance outstanding on the defeased debt amounted to $8,650,000.

**NOTE 8 – GENERAL LONG-TERM DEBT (continued)**

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

The outstanding bonded debt at June 30, 2014 was as follows:

| Series | Issue Date | Maturity Date | Interest Rate | Original Issue | Balance, July 1, 2013 | Additions | Deductions | Balance, June 30, 2014 |
|---|---|---|---|---|---|---|---|---|
| 1997 A | 2/24/1998 | 11/1/2022 | 3.65%-5.15% | $ 29,999,130 | $ 7,971,133 | $ - | $ 1,009,262 | $ 6,961,871 |
| 1997 B | 8/11/1999 | 11/1/2023 | 4.85%-5.68% | 9,374,387 | 6,707,262 | - | 480,669 | 6,226,593 |
| 1997 C | 3/21/2001 | 11/1/2025 | 4.05%-5.44% | 18,492,813 | 3,685,386 | - | 323,820 | 3,361,566 |
| 1997 D | 10/17/2002 | 9/1/2027 | 2.00%-5.20% | 32,627,309 | 21,637,311 | - | - | 21,637,311 |
| 2004 Ref. | 8/4/2004 | 11/1/2021 | 1.50%-5.18% | 14,471,501 | 2,406,501 | - | 640,000 | 1,766,501 |
| 2006 A | 11/30/2006 | 8/1/2031 | 3.50%-5.0% | 44,566,153 | 34,726,153 | - | 1,100,000 | 33,626,153 |
| 2006 B | 12/22/2009 | 8/1/2034 | 3.000%-7.262% | 42,996,222 | 42,996,222 | - | - | 42,996,222 |
| 2006 C | 5/19/2011 | 8/1/2033 | 5.006%-6.750% | 29,998,274 | 28,983,274 | - | 1,130,000 | 27,853,274 |
| 2011 Ref. | 5/19/2011 | 8/1/2015 | 2.00%-3.00% | 5,385,000 | 5,315,000 | - | 1,525,000 | 3,790,000 |
| 2013 Ref. | 1/10/2013 | 11/1/2019 | 0.588%-2.365% | 9,630,000 | 9,630,000 | - | 270,000 | 9,360,000 |
| | | | | | $ 164,058,242 | $ - | $ 6,478,751 | $ 157,579,491 |
| | | | Accreted Interest Component | | | | | |
| | | | | 1997 A | $ 9,207,521 | $ 836,259 | $ 1,180,738 | $ 8,863,042 |
| | | | | 1997 B | 7,880,926 | 820,659 | 569,331 | 8,132,254 |
| | | | | 1997 C | 4,262,740 | 542,808 | 361,180 | 4,444,368 |
| | | | | 1997 D | 14,765,223 | 1,873,561 | - | 16,638,784 |
| | | | | 2004 Ref. | 1,479,290 | 281,155 | - | 1,760,445 |
| | | | | 2006 A | 232,179 | 50,663 | - | 282,842 |
| | | | | 2006 B | 1,594,755 | 648,528 | - | 2,243,283 |
| | | | | 2006 C | 713,644 | 469,911 | - | 1,183,555 |
| | | | | | $ 40,136,278 | $ 5,523,544 | $ 2,111,249 | $ 43,548,573 |

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

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2014-15 | $ 7,106,365 | $ 8,148,354 | 15,254,719 |
| 2015-16 | 7,839,833 | 8,163,876 | 16,003,709 |
| 2016-17 | 7,576,603 | 9,286,916 | 16,863,519 |
| 2017-18 | 7,215,212 | 10,705,762 | 17,920,974 |
| 2018-19 | 8,358,746 | 10,468,094 | 18,826,840 |
| 2019-24 | 37,382,523 | 64,395,713 | 101,778,236 |
| 2024-29 | 31,981,404 | 58,035,225 | 90,016,629 |
| 2029-34 | 40,773,805 | 20,273,376 | 61,047,181 |
| 2034-35 | 9,345,000 | 339,317 | 9,684,317 |
| Total | $ 157,579,491 | $ 189,816,633 | $ 347,396,124 |

**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.

**NOTE 8 – GENERAL LONG-TERM DEBT (continued)**

**B. Certificates of Participation (continued)**

The balance of the 2008 Refunding Certificates of Participation outstanding at June 30, 2014 was $11,445,000.

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2014-15 | $ 280,000 | $ 531,806 | $ 811,806 |
| 2015-16 | 290,000 | 522,006 | 812,006 |
| 2016-17 | 300,000 | 511,132 | 811,132 |
| 2017-18 | 315,000 | 499,132 | 814,132 |
| 2018-19 | 325,000 | 486,532 | 811,532 |
| 2019-24 | 1,850,000 | 2,219,332 | 4,069,332 |
| 2024-29 | 2,305,000 | 1,767,630 | 4,072,630 |
| 2029-34 | 2,895,000 | 1,165,184 | 4,060,184 |
| 2034-38 | 2,885,000 | 369,500 | 3,254,500 |
| Total | $ 11,445,000 | $ 8,072,254 | $ 19,517,254 |

**C. Supplemental Early Retirement Plan**

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. The outstanding liability at June 30, 2014 amounted to $77,000.

The supplemental early retirement plan has the following required payments:

| Fiscal Year | Total Payment |
|---|---|
| 2014-15 | $ 38,500 |
| 2015-16 | 22,000 |
| 2016-17 | 16,500 |
| Total | $ 77,000 |

**NOTE 9 – 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.

**NOTE 9 – JOINT POWERS AGREEMENTS (continued)**

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

| | ASCIP June 30, 2013 (Audited) | SLIM June 30, 2013 (Audited) |
|---|---|---|
| Assets | $ 295,431,234 | $ 16,258,651 |
| Liabilities | 160,686,476 | 13,124,130 |
| Net Position | $ 134,744,758 | $ 3,134,521 |
| | | |
| Revenues | $ 199,504,836 | $ 7,943,458 |
| Expenses | 190,821,296 | 7,097,297 |
| Operating Income | 8,683,540 | 846,161 |
| Non-Operating Income | 1,677,814 | 72,368 |
| Change in Net Position | $ 10,361,354 | $ 918,529 |

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 10 – 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, 2014, the District had commitments with respect to unfinished capital projects of approximately $82,155.

**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, 2014.

**NOTE 11 – 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 9 for additional information regarding the JPAs.

**NOTE 11 – RISK MANAGEMENT (continued)**

During fiscal year ending June 30, 2014, 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 12 – EMPLOYEE RETIREMENT PLANS**

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

**Plan Description and Provisions**

**Public Employees' Retirement System (PERS)**

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

**Funding Policy**
Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2013-14 was 11.442%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the last three fiscal years were as follows:

| | Contribution | Percent of Required Contribution |
|---|---|---|
| 2013-14 | $ 1,763,740 | 100% |
| 2012-13 | $ 1,716,788 | 100% |
| 2011-12 | $ 1,664,381 | 100% |

**State Teachers' Retirement System (STRS)**

**Plan Description**
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. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the comprehensive annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California 95605, or at www.calstrs.com.

**NOTE 12 – EMPLOYEE RETIREMENT PLANS (continued)**

**State Teachers' Retirement System (STRS) (continued)**

**Funding Policy**
Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2013-14 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the last three fiscal years were as follows:

| | Contribution | Percent of Required Contribution |
|---|---|---|
| 2013-14 | $ 3,614,875 | 100% |
| 2012-13 | $ 3,505,134 | 100% |
| 2011-12 | $ 3,485,833 | 100% |

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to STRS for K-12 education. These payments consist of state General Fund contributions of approximately $1.9 million to STRS (4.267% of salaries subject to STRS in 2013-14).

**NOTE 13 – 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 consisted of the following:

| | |
|---|---|
| Retirees and beneficiaries receiving benefits | 200 |
| Active plan members | 882 * |
| Total | 1,082 |
| | |
| Number of participating employers | One |

** As of July 1, 2013 actuarial valuation*

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 2013-14, the District contributed $287,163 towards retirees medical benefit premiums.

**NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (continued)**

**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) | $ 2,046,292 |
| Interest on net OPEB obligation | 324,585 |
| Adjustment to ARC | (412,117) |
| Annual OPEB cost | 1,958,760 |
| Contributions made: | |
| pay-as-you-go costs | (287,163) |
| Increase in net OPEB liability | 1,671,597 |
| Net OPEB liability - July 1, 2013 | 6,491,701 |
| Net OPEB liability - June 30, 2014 | $ 8,163,298 |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013-14 and the preceding two years are as follows:

| Year Ended June 30, | Annual OPEB Cost | Percentage Contributed | Net OPEB Obligation |
|---|---|---|---|
| 2012 | $ 1,692,816 | 11% | $ 5,074,122 |
| 2013 | $ 1,672,444 | 15% | $ 6,491,701 |
| 2014 | $ 1,958,760 | 15% | $ 8,163,298 |

**Funded Status and Funding Progress – OPEB Plans**
As of July 1, 2013, the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was $17.2 million and the unfunded actuarial accrued liability (UAAL) was $17.2 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.

**NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Actuarial Methods and Assumptions (continued)**
Additional information as of the latest actuarial valuation follows:

| | |
|---|---|
| Valuation Date | July 1, 2013 |
| Amortization Method | Level Percentage of Payroll |
| Remaining Amortization Period | 30 years |
| Asset Valuation | N/A |
| Actuarial Assumptions: | |
| Discount rate | 5.0% |
| Long-term healthcare cost trend rates: | 5.0% |
| Inflation | 2.0% |

**NOTE 14 – FUTURE GASB PRONOUNCEMENT**

The following statement issued by the Governmental Accounting Standards Board (GASB) will become effective in 2014-15 and is expected to have a significant impact on the District's financial reporting:

**Statement No. 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27 (Issued 06/12)***
The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

**Cost-Sharing Employers**
In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a cost-sharing employer that does not have a special funding situation is required to recognize a liability for its proportionate share of the net pension liability (of all employers for benefits provided through the pension plan)—the collective net pension liability. An employer's proportion is required to be determined on a basis that is consistent with the manner in which contributions to the pension plan are determined, and consideration should be given to separate rates, if any, related to separate portions of the collective net pension liability. The use of the employer's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers as the basis for determining an employer's proportion is encouraged.

**NOTE 14 – FUTURE GASB PRONOUNCEMENTS (continued)**

**Statement No. 68 (continued)**

**Cost-Sharing Employers (continued)**
A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

**NOTE 15 - SUBSEQUENT EVENT**

On July 22, 2014, the board passed a resolution authorizing the issuance of refunding bonds to refinance Series A General Obligation Bonds.

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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, 2014*

| | Budgeted Amounts | | Actual | Variance with Final Budget - |
|---|---|---|---|---|
| | Original | Final | (Budgetary Basis) | Pos (Neg) |
| **Revenues** | | | | |
| LCFF sources | $ 58,464,739 | $ 67,849,377 | $ 68,233,405 | $ 384,028 |
| Federal sources | 3,142,797 | 3,124,575 | 2,986,502 | (138,073) |
| Other state sources | 18,937,464 | 10,946,785 | 11,520,654 | 573,869 |
| Other local sources | 9,332,259 | 10,465,065 | 11,839,189 | 1,374,124 |
| Total Revenues | 89,877,259 | 92,385,802 | 94,579,750 | 2,193,948 |
| **Expenditures** | | | | |
| Current: | | | | |
| Certificated salaries | 44,864,083 | 44,657,504 | 44,657,503 | 1 |
| Classified salaries | 16,004,671 | 16,449,110 | 16,449,110 | - |
| Employee benefits | 17,179,046 | 16,961,956 | 16,961,955 | 1 |
| Books and supplies | 2,543,004 | 2,742,792 | 2,541,871 | 200,921 |
| Services and other operating expenditures | 11,476,646 | 10,998,543 | 10,644,075 | 354,468 |
| Transfers of indirect costs | (87,000) | (87,000) | (59,130) | (27,870) |
| Capital outlay | 115,000 | 113,685 | 96,717 | 16,968 |
| Intergovernmental | 153,264 | 1,626,207 | 1,248,337 | 377,870 |
| Total Expenditures | 92,248,714 | 93,462,797 | 92,540,438 | 922,359 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (2,371,455) | (1,076,995) | 2,039,312 | 3,116,307 |
| **Other Financing Sources and Uses** | | | | |
| Interfund transfers out | - | - | (350,000) | (350,000) |
| Total Other Financing Sources and Uses | - | - | (350,000) | (350,000) |
| Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (2,371,455) | (1,076,995) | 1,689,312 | 2,766,307 |
| Fund Balances, July 1, 2013 | 17,987,809 | 15,328,251 | 17,987,809 | - |
| Fund Balances, June 30, 2014 | $ 15,616,354 | $ 14,251,256 | $ 19,677,121 | $ 2,766,307 |

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*Schedule of Funding Progress*

*For the Fiscal Year Ended June 30, 2014*

| 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, 2008 | $ - | $ 9,590,444 | $ 9,590,444 | 0% | $ 57,182,495 | 17% |
| July 1, 2011 | $ - | $ 13,985,477 | $ 13,985,477 | 0% | $ 57,447,025 | 24% |
| July 1, 2013 | $ - | $ 17,240,199 | $ 17,240,199 | 0% | $ 59,231,279 | 29% |

## 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.

## NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2014, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedules by major object code:

| Appropriations Category | Excess Expenditures |
|---|---|
| Transfers of indirect costs | $ 27,870 |
| Interfund transfers out | 350,000 |

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# *Supplementary Information*

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## LAS VIRGENES UNIFIED SCHOOL DISTRICT

*Local Educational Agency Organization Structure*
*June 30, 2014*

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.

**GOVERNING BOARD**

| Member | Office | Term Expires |
|---|---|---|
| Jill Gaines | President | 2015 |
| Cindy Iser | Vice President | 2015 |
| Lesli Stein | Clerk | 2017 |
| Angela Cutbill | Member | 2017 |
| Dallas Lawrence | Member | 2017 |

**DISTRICT ADMINISTRATORS**

Dan Stepenosky, Ed.D.,
*Superintendent*

Mary Schillinger,
*Assistant Superintendent, Education*

Karen Kimmel, CPA,
*Assistant Superintendent, Business*

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

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**
*Combining Balance Sheet - Non-Major Funds*
*June 30, 2014*

| | Deferred Maintenance Fund | County School Facilities Fund | Total Non-Major Governmental Funds |
|---|---|---|---|
| **ASSETS** | | | |
| Cash | $ 1,752,612 | $ (7) | $ 1,752,605 |
| Accounts receivable | 5,153 | 1 | 5,154 |
| Total Assets | $ 1,757,765 | $ (6) | $ 1,757,759 |
| **LIABILITIES AND FUND BALANCES** | | | |
| **Liabilities** | | | |
| Accounts payable | $ 33,732 | $ - | $ 33,732 |
| Total Liabilities | 33,732 | - | 33,732 |
| **Fund Balances** | | | |
| Committed | 1,724,033 | - | 1,724,033 |
| Unassigned | - | (6) | (6) |
| Total Fund Balances | 1,724,033 | (6) | 1,724,027 |
| Total Liabilities and Fund Balances | $ 1,757,765 | $ (6) | $ 1,757,759 |

*See accompanying note to supplementary information.*

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Funds*

*For the Fiscal Year Ended June 30, 2014*

| | Deferred Maintenance Fund | County Schools Facilities Fund | Total Non-Major Governmental Funds |
|---|---|---|---|
| **REVENUES** | | | |
| Other local sources | $ 9,968 | $ (6) | $ 9,962 |
| Total Revenues | 9,968 | (6) | 9,962 |
| **EXPENDITURES** | | | |
| Current: | | | |
| Plant services | 539,298 | - | 539,298 |
| Capital outlay | 6,848 | - | 6,848 |
| Total Expenditures | 546,146 | - | 546,146 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (536,178) | (6) | (536,184) |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Interfund transfers in | 350,000 | - | 350,000 |
| Total Other Financing Sources and Uses | 350,000 | - | 350,000 |
| Net Change in Fund Balances | (186,178) | (6) | (186,184) |
| Fund Balances, July 1, 2013 | 1,910,211 | - | 1,910,211 |
| Fund Balances, June 30, 2014 | $ 1,724,033 | $ (6) | $ 1,724,027 |

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

*Schedule of Average Daily Attendance*
*For the Fiscal Year Ended June 30, 2014*

**Second Period Report - Certificate No. 239029D3**

| **Regular ADA:** | **TK/K-3** | **Grades 4-6** | **Grades 7-8** | **Grades 9-12** | **Total** |
|---|---|---|---|---|---|
| Regular ADA | 2,825.40 | 2,396.65 | 1,763.34 | 3,719.01 | 10,704.40 |
| Special Education - Nonpublic schools | - | - | 1.59 | 8.86 | 10.45 |
| Extended Year Nonpublic, Nonsectarian Schools | - | - | 0.66 | 1.10 | 1.76 |
| Total ADA | 2,825.40 | 2,396.65 | 1,765.59 | 3,728.97 | 10,716.61 |

**Other (included in Regular ADA amounts):**

| | |
|---|---|
| Full-Time Independent Study | 57.54 |
| Transitional Kindergarten | 110.80 |
| Continuation Education | 32.84 |

**Annual Report - Certificate No. D3751DD8**

| **Regular ADA:** | **TK/K-3** | **Grades 4-6** | **Grades 7-8** | **Grades 9-12** | **Total** |
|---|---|---|---|---|---|
| Regular ADA | 2,828.67 | 2,400.35 | 1,760.77 | 3,710.58 | 10,700.37 |
| Special Education - Non public schools | - | - | 1.88 | 11.16 | 13.04 |
| Extended Year Nonpublic, Nonsectarian Schools | - | - | 0.17 | 1.73 | 1.90 |
| Total ADA | 2,828.67 | 2,400.35 | 1,762.82 | 3,723.47 | 10,715.31 |

**Other (included in Regular ADA amounts):**

| | |
|---|---|
| Full-Time Independent Study | 56.12 |
| Transitional Kindergarten | 124.92 |
| Continuation Education | 32.35 |

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*Schedule of Instructional Time*

*For the Fiscal Year Ended June 30, 2014*

| | 1986-87 Minutes | | 2013/2014 | Number of Days | |
|---|---|---|---|---|---|
| Grade Level | Previously Required | Reduced* | Actual Minutes | Traditional Calendar | Status |
| Kindergarten | 36,000 | 35,000 | 38,225 | 180 | Complied |
| Grade 1 | 50,400 | 49,000 | 50,865 | 180 | Complied |
| Grade 2 | 50,400 | 49,000 | 50,865 | 180 | Complied |
| Grade 3 | 50,400 | 49,000 | 50,865 | 180 | Complied |
| Grade 4 | 54,000 | 52,500 | 54,510 | 180 | Complied |
| Grade 5 | 54,000 | 52,500 | 54,510 | 180 | Complied |
| Grade 6 | 54,000 | 52,500 | 55,315 | 180 | Complied |
| Grade 7 | 54,000 | 52,500 | 55,315 | 180 | Complied |
| Grade 8 | 54,000 | 52,500 | 57,660 | 180 | Complied |
| Grade 9 | 64,800 | 63,000 | 67,610 | 180 | Complied |
| Grade 10 | 64,800 | 63,000 | 67,610 | 180 | Complied |
| Grade 11 | 64,800 | 63,000 | 67,610 | 180 | Complied |
| Grade 12 | 64,800 | 63,000 | 67,610 | 180 | Complied |

* Amounts reduced as permitted by Education Code Section 46201.2 (a).

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**
*Schedule of Financial Trends and Analysis*
*For the Fiscal Year Ended June 30, 2014*

| General Fund | (Budget) 2015 [2] | 2014 | 2013 | 2012 |
|---|---|---|---|---|
| Revenues and other financing sources | $ 94,056,956 | $ 94,579,750 | $ 89,792,488 | $ 90,542,018 |
| Expenditures | 94,448,230 | 92,540,438 | 89,566,574 | 92,214,550 |
| Other uses and transfers out | - | 350,000 | 450,000 | - |
| Total outgo | 94,448,230 | 92,890,438 | 90,016,574 | 92,214,550 |
| Change in fund balance (deficit) | (391,274) | 1,689,312 | (224,086) | (1,672,532) |
| Ending fund balance | $ 19,285,847 | $ 19,677,121 | $ 17,987,809 | $ 18,211,895 |
| Available reserves [1] | $ 15,441,514 | $ 11,726,339 | $ 10,770,984 | $ 4,176,698 |
| Available reserves as a percentage of total outgo | 16.3% | 12.6% | 12.0% | 4.5% |
| Total long-term debt | $ 223,237,371 | $ 227,730,098 | $ 229,837,008 | $ 231,411,930 |
| Average daily attendance at P-2 | 10,571 | 10,717 | 10,823 | 10,956 |

The General Fund balance has increased by $1,465,226 over the past two years. The fiscal year 2014-15 adopted budget projects a decrease of $391,274. 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 two of the past three years, and anticipates incurring an operating deficit during the 2014-15 fiscal year. Long-term debt has decreased by $3,681,832 over the past two years.

Average daily attendance has decreased by 239 over the past two years. A further decrease of 146 is anticipated during fiscal year 2014-15.

[1] Available reserves consist of all unassigned fund balances in the General Fund.

[2] Revised Final Budget September, 2014

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*Schedule of Expenditures of Federal Awards*

*For the Fiscal Year Ended June 30, 2014*

| 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 | $ 33,321 | |
| School Breakfast Program - Especially Needy | 10.553 | 13526 | 1,154 | |
| National School Lunch Program | 10.555 | 13523 | 246,510 | |
| USDA Donated Foods | 10.555 | N/A | 54,806 | |
| Total Child Nutrition Cluster | | | | 335,791 |
| Total U.S. Department of Agriculture | | | | 335,791 |
| 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 | | 643,967 |
| Title II, Part A, Teacher Quality Local | 84.367 | 14341 | | 186,458 |
| English Language Acquisition Grants Cluster: | | | | |
| Title III, Immigrant Education Program | 84.365 | 15146 | 6,006 | |
| Title III, Limited English Proficiency | 84.365 | 14346 | 68,214 | |
| Total English Language Acquisition Grants Cluster | | | | 74,220 |
| Department of Rehabilitation: Workability II, Transitions Partnership | 84.158 | 10006 | | 158,920 |
| Carl D. Perkins Career and Technical Education: Secondary, Section 131 | 84.048 | 14894 | | 35,564 |
| Individuals with Disabilities Education Act (IDEA): | | | | |
| Local Assistance Entitlement | 84.027 | 13379 | 1,752,552 | |
| Preschool Local Entitlement, Part B | 84.173A | 13682 | 109,781 | |
| Total Special Education (IDEA) Cluster | | | | 1,862,333 |
| Total U.S. Department of Education | | | | 2,961,462 |
| Total Expenditures of Federal Awards | | | | $ 3,297,253 |

*See accompanying note to supplementary information.*

## 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, 2014*

| | Actual Results for the Years (Amounts in thousands) | | | | | |
|---|---|---|---|---|---|---|
| | 2013-14 | | 2012-13 | | 2011-12 | |
| | Amount | Percent of Revenue | Amount | Percent of Revenue | Amount | Percent of Revenue |
| **Revenues** | | | | | | |
| Federal revenue | $ 2,987 | 3.16 | $ 3,416 | 3.82 | $ 3,451 | 3.83 |
| State and local revenue included in LCFF | 68,233 | 72.14 | 57,875 | 64.78 | 57,538 | 63.87 |
| Other state revenue | 11,521 | 12.18 | 17,619 | 19.72 | 17,992 | 19.97 |
| Other local revenue | 11,839 | 12.52 | 10,432 | 11.68 | 11,111 | 12.33 |
| Total Revenues | 94,580 | 100.00 | 89,342 | 100.00 | 90,092 | 100.84 |
| **Expenditures** | | | | | | |
| Salaries and benefits | | | | | | |
| Certificated salaries | 44,658 | 47.22 | 44,003 | 49.25 | 43,551 | 48.34 |
| Classified salaries | 16,449 | 17.39 | 15,816 | 17.70 | 15,960 | 17.72 |
| Employee benefits | 16,962 | 17.93 | 17,019 | 19.05 | 19,063 | 21.16 |
| Subtotal salaries and benefits | 78,069 | 82.54 | 76,838 | 86.00 | 78,574 | 87.22 |
| Books and supplies | 2,542 | 2.69 | 1,906 | 2.13 | 2,362 | 2.62 |
| Services and operating expenditures | 10,644 | 11.25 | 10,131 | 11.34 | 9,577 | 10.63 |
| Capital outlay | 97 | 0.10 | 149 | 0.17 | 195 | 0.22 |
| Other outgo | 1,189 | 1.26 | 542 | 0.61 | 244 | 0.27 |
| Total Expenditures | 92,541 | 97.84 | 89,566 | 100.25 | 90,952 | 100.95 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 2,039 | 2.16 | (224) | (0.25) | (860) | (0.95) |
| **Other Financing Sources and Uses** | | | | | | |
| Interfund transfers in | - | - | 450 | 0.50 | 450 | 0.50 |
| Interfund transfers out | (350) | (0.37) | (450) | (0.50) | (1,262) | (1.40) |
| Total Other Financing Sources and Uses | (350) | (0) | - | - | (812) | (0.90) |
| Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | 1,689 | 1.79 | (224) | (0.25) | (1,672) | (1.86) |
| Fund Balances, Beginning | 17,988 | | 18,212 | | 19,884 | |
| Fund Balances, Ending | $ 19,677 | | $ 17,988 | | $ 18,212 | |

*See accompanying note to supplementary information.*

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements*
*For the Fiscal Year Ended June 30, 2014*

| | Cafeteria Fund |
|---|---|
| June 30, 2014, annual financial and budget report net position | $ 431,033 |
| Adjustments and reclassifications | |
| Record Enterprise Fund cash | 56,320 |
| June 30, 2014, audited financial statement net position | $ 487,353 |

## 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 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.

Districts must maintain their instructional minutes at the 1986-87 requirement, as reduced by Education Code Section 46201.2(a).

### 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.

### 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 United States of America Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

### Subrecipients

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

### 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.

### 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.

# *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, 2014, 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 December 2, 2014.

**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.



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**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 item 2014-1.

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

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.

Nigro & Nigro, PC

Murrieta, California
December 2, 2014

**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Board of Education
Las Virgenes Unified School District
Calabasas, California

**Report on Compliance for State Programs**
We have audited Las Virgenes Unified School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14,* published by the Education Audit Appeals Panel, for the year ended June 30, 2014. Las Virgenes Unified School District's state programs are identified below.

***Management's Responsibility***
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to 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 below. 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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*. 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 below 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.

| Description | Procedures in Audit Guide | Procedures Performed |
|---|---|---|
| Attendance Reporting | 6 | Yes |
| Teacher Certification and Misassignments | 3 | Yes |
| Kindergarten Continuance | 3 | Yes |
| Independent Study | 23 | Yes |
| Continuation Education | 10 | Yes |
| Instructional Time for School Districts | 10 | Yes |
| Instructional Materials General Requirements | 8 | Yes |
| Ratios of Administrative Employees to Teachers | 1 | Yes |
| Classroom Teacher Salaries | 1 | Yes |
| Early Retirement Incentive | 4 | Not applicable |



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| Description | Procedures in Audit Guide | Procedures Performed |
|---|---|---|
| Gann Limit Calculation | 1 | Yes |
| School Accountability Report Card | 3 | Yes |
| Juvenile Court Schools | 8 | Not applicable |
| Local Control Funding Formula Certification | 1 | Yes |
| California Clean Energy Jobs Act | 3 | No |
| After School Education and Safety Program: | | |
| General Requirements | 4 | Not applicable |
| After School | 5 | Not applicable |
| Before School | 6 | Not applicable |
| Education Protection Account Funds | 1 | Yes |
| Common Core Implementation Funds | 3 | Yes |
| Unduplicated Local Control Funding Formula Pupil Counts | 3 | Yes |
| Charter Schools: | | |
| Contemporaneous Records of Attendance | 8 | Not applicable |
| Mode of Instruction | 1 | Not applicable |
| Nonclassroom-Based Instruction/Independent Study | 15 | Not applicable |
| Determination of Funding for Nonclassroom-Based Instruction | 3 | Not applicable |
| Annual Instructional Minutes – Classroom Based | 4 | Not applicable |
| Charter School Facility Grant Program | 1 | Not applicable |

We did not perform testing for the California Clean Energy Jobs Act because the District did not expend any funds during the year.

***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, 2014.

***Other Matter***

The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to above, which are required to be reported in accordance with *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14,* and which are described in the accompanying schedule of findings and questioned costs as Finding 2014-1.

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

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 in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on State compliance is solely to describe the scope of our testing of State compliance and the results of that testing based on the requirements of the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*. Accordingly, this report is not suitable for any other purpose.

Nigro & Nigro, PC

Murrieta, California
December 2, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE**

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 Circular A-133 *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, 2014. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2014.



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**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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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, as defined above. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Nigro & Nigro, PC

Murrieta, California
December 2, 2014

# *Findings and Questioned Costs*

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

***Financial Statements***

| | |
|---|---|
| Type of auditor's report issued | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiency(s) identified not considered to be material weaknesses? | No |
| Noncompliance material to financial statements noted? | No |

***Federal Awards***

| | |
|---|---|
| Internal control over major programs: | |
| Material weakness(es) identified? | No |
| Significant deficiency(s) identified not considered to be material weaknesses? | No |
| Type of auditor's report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) | No |
| Identification of major programs: | |

| CFDA Numbers | Name of Federal Program or Cluster |
|---|---|
| 84.027, 84.173A | Special Education Cluster |

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

***State Awards***

| | |
|---|---|
| Internal control over state programs: | |
| Material weakness(es) identified? | No |
| Significant deficiency(s) identified not considered to be material weaknesses? | Yes |
| Type of auditor's report issued on compliance for state programs: | Unmodified |

**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:

| Five Digit Code | AB 3627 Finding Types |
|---|---|
| 10000 | Attendance |
| 20000 | Inventory of Equipment |
| 30000 | Internal Control |
| 40000 | State Compliance |
| 41000 | CalSTRS |
| 50000 | Federal Compliance |
| 60000 | Miscellaneous |
| 61000 | Classroom Teacher Salaries |
| 70000 | Instructional Materials |
| 71000 | Teacher Misassignments |
| 72000 | School Accountability Report Card |

***There were no financial statement findings in 2013-14.***

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

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a) (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

***There were no federal award findings or questioned costs in 2013-14.***

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

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

**Finding 2014-1: Unduplicated Pupil Counts (40000)**

**Criteria:** School districts must annually report the number of students that are eligible for free and reduced price meals (FRPM) in the California Longitudinal Pupil Achievement Data System (CALPADS). Eligibility for FRPM is based upon criteria such as household income and the size of the household. There is a "grace period" that permits school districts to count students who were eligible in the previous school year to be claimed as FRPM until eligibility is determined for the new year.

**Condition:** During our preliminary testing of the FRPM applications and the CALPADS reporting, we noted that three students that were reported as FRPM did not have an application on file or were denied for the 2013-14 fiscal year. We then performed additional testing to include samples from all school sites. During the expanded testing, we noted that there were an additional twelve students who were included in the CALPADS report that did not have an application or were denied; however, we also determined that there were 145 students eligible for FRPM that were omitted from the original CALPADS report. This resulted in an overall understatement of FRPM by 130 students.

**Context:** The errors occurred for all schools in the District. This is due to the fact that District applied the local grace period to the CALPADS reporting and as a result, many students in the CALPADS system are reported based on 2012-13 application data instead of 2013-14 application data.

**Questioned Costs:** The dollar impact of this finding is an understatement of revenue by $23,232.

**Effect:**

**Unduplicated Pupil Count**

| School Site | Per CALPADS Report | Unduplicated Pupil Count adjusted based on eligibility for: | | | Adjusted Total |
|---|---|---|---|---|---|
| | | FRPM | EL Funding | Both FRPM and EL | |
| Agoura High School | 159 | 32 | - | - | 191 |
| Alice C. Stelle Middle | 54 | 7 | | | 61 |
| Arthur E. Wright Middle | 109 | 18 | - | - | 127 |
| Bay Laurel Elementary | 90 | (17) | - | - | 73 |
| Buttercup Pre-School | - | 1 | - | - | 1 |
| Calabasas High | 104 | 30 | - | - | 134 |
| Chaparral Elementary | 93 | 16 | - | - | 109 |
| Indian Hills Continuation High | 15 | (1) | - | - | 14 |
| Lindero Canyon Middle | 100 | 4 | - | - | 104 |
| Lupin Hill Elementary | 131 | (4) | - | - | 127 |
| Mariposa School of Global Education | 42 | 21 | - | - | 63 |
| Round Meadow Elementary | 85 | 5 | - | - | 90 |
| Sumac Elementary | 129 | (64) | - | - | 65 |
| White Oak Elementary | 27 | 76 | - | - | 103 |
| Willow Elementary | 34 | 7 | - | - | 41 |
| Yerba Buena Elementary | 60 | (1) | - | - | 59 |
| District-wide | 1,232 | 130 | - | - | 1,362 |

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

**Finding 2014-1: Unduplicated Pupil Counts (40000) (continued)**

No changes to enrollment were identified as a result of testing the unduplicated pupil count.

**Recommendation:** The District should evaluate whether or not the 2014-2015 unduplicated pupil count percentage is higher than the 2013-2014 unduplicated percentage. If the District determines that the 2014-2015 unduplicated percentage is higher, the District's LCFF calculation will be based on the 2014-2015 unduplicated percentage, thus mitigating the financial impact the exceptions noted above have on compliance.

**District Response:** The District has refined its process in regards to the state reporting of the unduplicated pupil count. For the current fiscal year, 2014-15, the District initiated its own internal audit to verify accuracy prior to state reporting. The District has confirmed that the 2013-14 LCFF calculation will be based on the 2014-2015 unduplicated percentage.

***There were no findings or questioned costs in 2012-13.***

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, 2014, 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 December 2, 2014, on the financial statements of Las Virgenes Unified School District.

**ASSOCIATED STUDENT BODY (ASB)**

***Observation:*** In our test of cash disbursements at Calabasas High School, we noted that several disbursements selected in our sample were not approved by the District representative, the ASB advisor, or the student representative prior to incurring the expense. Additionally, we noted that some disbursements were never approved by one or more representative. Of the disbursements tested, 22 of 25 were missing pre-approval, two were never approved by the district representative, and one was never approved by a student representative. Education Code Section 48933(b) requires all expenditures from ASB funds be authorized by a student representative, an advisor, and a district representative (usually a principal or vice-principal) prior to disbursing the funds.

***Recommendation:*** We recommend that the site adopt a procedure for compliance with the Education Code in obtaining the required approvals. 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.

***Observation:*** During our testing of cash receipts at Calabasas High School, we noted that the ASB does not have a process in place to ensure that revenue potentials are prepared for fundraising activities. Failure to prepare revenue potentials could lead to the possibility of fraudulent activity occurring without adequate controls to prevent it or detect it.

***Recommendation:*** We recommend that revenue potentials be prepared for all major fund-raising activities. It is important for student organizations to have adequate internal controls over their fundraising events, properly evaluate the effectiveness of those events, and account for a fundraiser's financial activity. Revenue potentials are used as a budgeting and planning tool. The form serves as a sales plan that includes expected sales levels, sale prices per unit, expected cost, and net income.



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

***Observation:*** In our sample of ten cash receipts at Calabasas High School, two could not be traced to the bank deposit slip or bank statement. Without proper documentation procedures in place, there is an opportunity for misappropriation of funds to go undetected.

***Recommendation:*** All cash receipts which are prepared for deposit should be evidenced by additional documentation showing an itemization of the item being included in in the total bank deposit. This provides an audit trail from the initial cash receipt to the final deposit of the funds into the bank account and evidence that the funds have been deposited intact.

***Observation:*** While reviewing the reconciliation detail at Calabasas High School, we noted 27 checks that are stale-dated back to as early as 2010, totaling $23,104. There were also two deposits dated back to the 2010-11 year that have not cleared totaling $7,775.

***Recommendation:*** We recommend that the bookkeeper perform bank reconciliations on a monthly basis and review the reconciliations often for stale-dated items older than six months. Stale-dated items should be followed up on immediately. Furthermore, the Principal or ASB advisor should review the bank reconciliations in order to detect errors and possible questionable or suspicious activity.

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

Nigro & Nigro, PC

Murrieta, California
December 2, 2014