

**LAS VIRGENES UNIFIED
SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2013**



LAS VIRGENES UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2013

Table of Contents

FINANCIAL SECTION		<u>Page</u>
Independent Auditors' Report.....		1
Management's Discussion and Analysis.....		3
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position.....		11
Statement of Activities.....		12
Governmental Funds Financial Statements:		
Balance Sheet.....		13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....		14
Statement of Revenues, Expenditures, and Changes in Fund Balances.....		15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....		16
Proprietary Fund Financial Statements:		
Statement of Net Position.....		17
Statement of Revenues, Expenses and Changes in Net Position.....		18
Statement of Cash Flows.....		19
Fiduciary Fund Financial Statements:		
Statement of Net Position.....		20
Notes to Financial Statements.....		21

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund.....	42
Schedule of Funding Progress.....	43
Notes to the Required Supplementary Information.....	44

SUPPLEMENTARY INFORMATION

Local Educational Agency Organization Structure.....	45
Combining Statements and Individual Fund Schedules:	
Combining Statements – Non-Major Funds:	
Combining Balance Sheet.....	46
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	47
Schedule of Average Daily Attendance.....	48
Schedule of Instructional Time.....	49
Schedule of Financial Trends and Analysis.....	50
Schedule of Expenditures of Federal Awards.....	51
General Fund Selected Financial Information Three-Year Summary of Revenues, Expenditures, and Changes in Fund Balance.....	52
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements.....	53
Note to the Supplementary Information.....	54

LAS VIRGENES UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2013

Table of Contents

OTHER INDEPENDENT AUDITORS' REPORTS

Page

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*.....55

Independent Auditors' Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance57

Independent Auditors' Report on State Compliance59

FINDINGS AND QUESTIONED COSTS

Schedule of Audit Findings and Questioned Costs:

 Summary of Auditors' Results61

 Current Year Audit Findings and Questioned Costs62

 Summary Schedule of Prior Audit Findings65

Management Letter66

Financial Section

(This page intentionally left blank)

INDEPENDENT AUDITORS' REPORT

Board of Education
Las Virgenes Unified School District
Calabasas, California

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, 2013, 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 2012-13*. 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, 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.

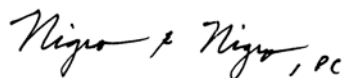
Other Information

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 13, 2013 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.



December 13, 2013

LAS VIRGENES UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2013

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, 2013. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's combined fund balances decreased by \$16.2 million, primarily due to expenditures related to the completion of the District's two performing arts centers.
- The District's overall financial status declined from last year, as the net position decreased by 7.6% to \$64.6 million for governmental activities.
- Total governmental revenues were \$105.5 million, \$5.3 million less than expenses.
- The total cost of basic programs was \$110.8 million. Because a portion of these costs were paid for with charges, fees, and intergovernmental aid, the net cost that required taxpayer funding was \$94.9 million.
- Average daily attendance (grades K-12) decreased by 133, or 1.2%.

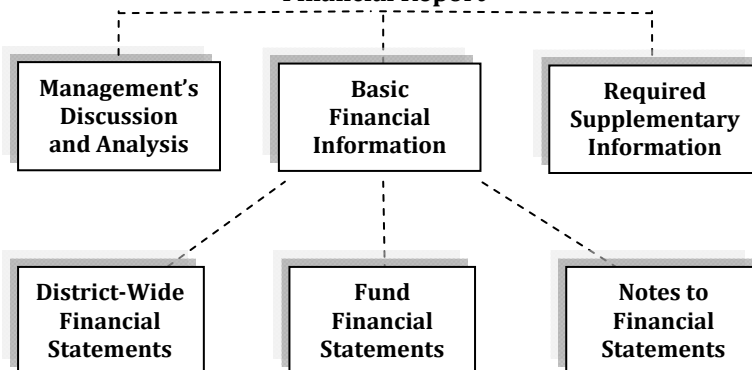
OVERVIEW OF THE FINANCIAL STATEMENTS

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.

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

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



SUMMARY



DETAIL

LAS VIRGENES UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2013

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

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

LAS VIRGENES UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2013

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 liabilities – 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.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base 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 formula 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.

LAS VIRGENES UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2013

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, 2013, than it was the year before – decreasing 7.6% to \$64.6 million (See Table A-1).

Table A-1

	Governmental Activities (In millions)		Variance Increase (Decrease)	Business-Type Activities (In millions)		Variance Increase (Decrease)
	2013	2012*		2013	2012	
Current assets	\$ 70.8	\$ 86.7	\$ (15.9)	\$ 0.6	\$ 0.6	\$ -
Noncurrent assets	2.3	2.1	0.2	-	-	-
Capital assets	239.5	230.4	9.1	-	-	-
Total assets	312.6	319.2	(6.6)	0.6	0.6	-
Current liabilities	18.2	17.9	0.3	0.1	0.1	-
Long-term liabilities	229.8	231.4	(1.6)	-	-	-
Total liabilities	248.0	249.3	(1.3)	0.1	0.1	-
Net position						
Net investment in capital assets	70.8	72.8	(2.0)	-	-	-
Restricted	23.0	20.2	2.8	0.5	0.5	-
Unrestricted	(29.2)	(23.1)	(6.1)	-	-	-
Total net position	\$ 64.6	\$ 69.9	\$ (5.3)	\$ 0.5	\$ 0.5	\$ -

*Restated

Changes in net position, governmental activities. The District's total revenues decreased 6.4% to \$105.5 million (See Table A-2). The decrease is due primarily to reduced state funding and declining ADA.

The total cost of all programs and services decreased 1.3% to \$110.8 million. The District's expenses are predominantly related to educating and caring for students, 77.4%. The purely administrative activities of the District accounted for just 3.7% of total costs.

Table A-2

	Governmental Activities (In millions)		Variance Increase (Decrease)	Business-Type (In millions)		Variance Increase (Decrease)
	2013	2012*		2013	2012	
Total Revenues	\$ 105.5	\$ 112.7	\$ (7.2)	\$ 1.9	\$ 2.0	\$ (0.1)
Total Expenses	110.8	112.3	(1.5)	1.9	2.1	(0.2)
Increase (decrease) in net position	\$ (5.3)	\$ 0.4	\$ (5.7)	\$ -	\$ (0.1)	\$ 0.1

*Restated

LAS VIRGENES UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2013

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 \$54.3 million, which is below last year's ending fund balance of \$70.5 million. The primary cause of the decreased fund balance is the cost of the ongoing investment in capital improvements, primarily the construction of the Performing Arts Education Centers.

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 \$8.3 million primarily to reflect increased Federal categorical and local revenues.
- Salaries and benefits costs – increased \$4.3 million due to changes in the collective bargaining agreements.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about \$2.9 million, the actual results for the year show that revenues fell short of expenditures by only \$0.2 million. Actual revenues were \$0.1 million more than anticipated, but expenditures were \$2.5 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2013 that will be carried over into the 2013-14 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2012-13 the District had invested \$16.8 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 \$7.7 million.

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

	Governmental Activities		Variance Increase (Decrease)
	(In millions)		
	2013	2012	
Land	\$ 14.9	\$ 14.9	\$ -
Land improvements	6.3	6.7	(0.4)
Buildings	213.0	162.3	50.7
Equipment	4.3	4.7	(0.4)
Construction in progress	1.0	41.8	(40.8)
Total	\$ 239.5	\$ 230.4	\$ 9.1

LAS VIRGENES UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end the District had approximately \$229.8 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		Variance
	(In millions)		Increase
	2013	2012	(Decrease)
General obligation bonds	\$ 210.7	\$ 213.2	\$ (2.5)
Certificates of participation	11.7	11.9	(0.2)
Compensated absences	0.8	0.9	(0.1)
Early retirement incentive	0.1	0.3	(0.2)
Other postemployment benefits	6.5	5.1	1.4
Total	\$ 229.8	\$ 231.4	\$ (1.6)

FACTORS BEARING ON THE DISTRICT'S FUTURE

Budget Overview

The final budget package was signed by the Governor on June 27, 2013. Notably, aside from one action to correct a technical error in the Franchise Tax Board budget, the Governor did not use his line-item veto authority to reduce or eliminate non-Proposition 98 General Fund spending. The Governor did, however, reduce spending from other funds by \$5.6 million.

The state spending plan assumes total budget expenditures of \$138.3 billion from the General Fund and special funds, an increase of 3 percent over 2012-13. This consists of \$96.3 billion from the General Fund and Education Protection Account created by Proposition 30 (2012), as well as \$42 billion from special funds. The budget estimates that spending from federal funds in 2013-14 will total \$87.6 billion, an increase of 7.7 percent over 2012-13.

The administration's May Revision estimates of 2012-13 revenues were about \$2.3 billion higher than when the 2012-13 spending plan was adopted last year. These higher revenues result in \$2.5 billion in additional expenditures under the Proposition 98 minimum funding guarantee for K-14 education. In addition, higher expenditures in other areas contributed to the estimated 2012-13 General Fund ending balance being about \$694 million lower than was assumed in the 2012-13 spending plan. Nevertheless, under the spending plan 2012-13 would end with a \$254 million reserve, the first such year-end positive balance in the reserve since 2007-08.

The spending plan assumes General Fund and Education Protection Account revenues of \$97.1 billion and expenditures of \$96.3 billion. The resulting \$817 million operating surplus combined with the \$254 million positive ending balance for 2012-13 produce an estimated \$1.1 billion reserve for 2013-14.

LAS VIRGENES UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2013

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Major Spending Changes

For K-12 education, the largest 2013-14 augmentation (\$2.1 billion) is for implementing the Local Control Funding Formula (LCFF) for school districts. Other major 2013-14 K-12 augmentations include \$406 million in grants and loans for energy projects, an additional \$250 million on a one-time basis for the Common Core State Standards initiative, \$250 million on a one-time basis for a new Career Pathways program, \$50 million to augment the mandate block grant, \$32 million to implement the LCFF for county offices of education (COEs), and \$10 million to establish the California Collaborative for Educational Excellence (CCEE) to provide low-performing school districts with academic assistance.

The budget also further pays down K-12 deferrals. Additionally, the budget includes a 1.57 percent cost-of-living adjustment (COLA) for certain K-12 categorical programs. The budget includes a slight increase to reflect 0.2 percent growth in K-12 ADA. The budget also provides a \$26 million (5 percent) increase to the part-day/part-year State Preschool program to support approximately 7,100 new preschool slots.

In 2013-14, despite fewer overall resources compared to 2012-13, much less funding is designated for paying down deferrals. This frees up funds in 2013-14 that can be used for other purposes. In total, the budget includes a \$2.6 billion increase in K-12 ongoing funding. Ongoing funding per student (as measured by ADA) increases from \$7,590 in 2012-13 to \$8,005 in 2013-14—an increase of \$415 (5.5 percent).

LCFF for School Districts and Charter Schools

The budget package includes a major restructuring of the state's funding system for school districts and charter schools. The new LCFF system replaces existing funding formulas for revenue limits and most categorical programs with a weighted student funding formula. Over the course of implementation, districts will receive additional funding to reduce the same share of the gap between their existing per-pupil funding rates and their targets under the LCFF. Full implementation of the LCFF is expected to take eight years (with full implementation in 2020-21) and cost \$18 billion (not accounting for future COLA costs). The *2013-14 Budget Act* provides first-year funding of \$2.1 billion. This is expected to close 12 percent of each district's gap.

Deferral Paydowns

After four consecutive years of increasing the amount of deferrals for schools and community colleges—reaching a total of \$10.4 billion in outstanding deferrals by the end of 2011-12—the 2012-13 budget plan provided \$2.2 billion to reduce the amount of outstanding deferrals. The recently enacted budget plan makes an additional \$1.8 billion in 2012-13 deferral paydowns as well as \$272 million in paydowns in 2013-14. Under the budget package, \$6.2 billion in outstanding deferrals remain as of the end of 2013-14.

Common Core Implementation

The budget plan provides \$1.25 billion in one-time funding to schools for implementation of the CCSS. (Of this amount, the budget plan counts \$1 billion towards meeting the 2012-13 minimum guarantee and \$250 million towards meeting the 2013-14 guarantee.) The CCSS are nationally developed standards for math and English/Language Arts that the state adopted in 2010. Under current law, schools are required to align instruction to the CCSS beginning in 2014-15. The \$1.25 billion in CCSS funding must be spent in 2013-14 or 2014-15 for professional development, instructional materials, and technology that assist schools in aligning instruction to the CCSS. Local governing boards are required in a series of public meetings to discuss and adopt a plan for spending the funds and must report how the funds were spent to the California Department of Education (CDE) by July 1, 2015.

LAS VIRGENES UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2013

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Proposition 39

Passed by the 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.

Adult Education

In an effort to improve coordination among adult education providers, the budget provides \$25 million (Proposition 98 General Fund) for a new Adult Education Consortium Program. School districts and community colleges that form a regional consortium are eligible to apply for these funds.

In a related action, the budget package eliminates school districts' adult education categorical program and consolidates all associated annual funding (\$635 million Proposition 98 General Fund) into the school district LCFF. The budget package, however, contains a requirement for school districts (through their adult schools) to maintain at least their 2012-13 level of state spending on adult education in 2013-14 and 2014-15.

New Career Pathways Program

The budget provides \$250 million in one-time Proposition 98 funding to create a "California Career Pathways Trust." The primary purpose of the new program is to improve linkages between career technical (vocational) programs at schools and community colleges as well as between K-14 education and local businesses. The program authorizes several types of activities, such as creating new technical programs and curriculum.

Special Education

The budget package makes three notable changes to special education funding. First, the package simplifies the state's approach to distributing funding to special education local plan areas (SELPAs) by delinking state and federal special education allocation formulas. A conforming change revises the "statewide target rate" used to fund new students to the updated statewide average per-pupil funding rate. Second, the budget provides \$2.6 million in Proposition 98 funds to fully offset federal sequestration funding cuts for preschoolers and infants/toddlers with disabilities and provides \$2.1 million in federal carryover funds to partially mitigate federal sequestration funding cuts for K-12 students with disabilities. Third, the package consolidates 11 special education categorical grants into 5 larger grants.

All of these factors were considered in preparing the Las Virgenes Unified School District budget for the 2013-14 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, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 61,680,037	\$ 467,338	\$ 62,147,375
Accounts receivable	8,944,384	45,232	8,989,616
Inventories	243,532	41,138	284,670
Total current assets	<u>70,867,953</u>	<u>553,708</u>	<u>71,421,661</u>
Noncurrent assets:			
Deferred amount on refunding	207,498	-	207,498
Unamortized debt issuance costs	2,055,123	-	2,055,123
Total noncurrent assets	<u>2,262,621</u>	<u>-</u>	<u>2,262,621</u>
Capital assets:			
Non-depreciable assets	15,810,233	-	15,810,233
Depreciable assets	298,427,150	440,674	298,867,824
Less accumulated depreciation	<u>(74,753,235)</u>	<u>(431,971)</u>	<u>(75,185,206)</u>
Total capital assets, net of depreciation	<u>239,484,148</u>	<u>8,703</u>	<u>239,492,851</u>
Total assets	<u>312,614,722</u>	<u>562,411</u>	<u>313,177,133</u>
LIABILITIES			
Current liabilities:			
Accounts payable	13,520,600	36,646	13,557,246
TRAN payable	2,350,000	-	2,350,000
Deferred revenue	2,258,903	75,608	2,334,511
Total current liabilities	<u>18,129,503</u>	<u>112,254</u>	<u>18,241,757</u>
Long-term liabilities:			
Due or payable within one year	9,337,838	-	9,337,838
Due or payable after one year	220,499,170	-	220,499,170
Total long-term liabilities	<u>229,837,008</u>	<u>-</u>	<u>229,837,008</u>
Total liabilities	<u>247,966,511</u>	<u>112,254</u>	<u>248,078,765</u>
NET POSITON			
Net investment in capital assets	70,842,615	8,703	70,851,318
Restricted for:			
Capital projects	5,962,548	-	5,962,548
Debt service	14,817,496	-	14,817,496
Educational programs	2,262,989	-	2,262,989
Nutritional services	-	441,454	441,454
Unrestricted	<u>(29,237,437)</u>	<u>-</u>	<u>(29,237,437)</u>
Total net position	<u>\$ 64,648,211</u>	<u>\$ 450,157</u>	<u>\$ 65,098,368</u>

LAS VIRGENES UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instructional Services:						
Instruction	\$ 67,889,636	\$ -	\$ 9,434,507	\$ (58,455,129)	\$ -	\$ (58,455,129)
Instruction-Related Services:						
Supervision of instruction	1,600,529	-	299,721	(1,300,808)	-	(1,300,808)
Instructional library, media and technology	1,658,257	-	77,949	(1,580,308)	-	(1,580,308)
School site administration	7,175,303	-	40,196	(7,135,107)	-	(7,135,107)
Pupil Support Services:						
Home-to-school transportation	2,234,298	234,725	803,385	(1,196,188)	-	(1,196,188)
All other pupil services	5,120,721	-	1,344,714	(3,776,007)	-	(3,776,007)
General Administration Services:						
Data processing services	77,167	-	-	(77,167)	-	(77,167)
Other general administration	4,014,465	126,671	355,302	(3,532,492)	-	(3,532,492)
Plant services	8,584,484	244,920	70,146	(8,269,418)	-	(8,269,418)
Ancillary services	331,181	-	25,894	(305,287)	-	(305,287)
Transfers between agencies	381,919	-	-	(381,919)	-	(381,919)
Interest on long-term debt	10,704,637	-	2,203,193	(8,501,444)	-	(8,501,444)
Other outgo	982,048	-	556,636	(425,412)	-	(425,412)
Total Governmental Activities	110,754,645	606,316	15,211,643	(94,936,686)	-	(94,936,686)
Business-Type Activities:						
Food Services	1,879,882	1,546,089	332,309	-	(1,484)	(1,484)
Total Business-Type Activities	1,879,882	1,546,089	332,309	-	(1,484)	(1,484)
Total	\$ 112,634,527	\$ 2,152,405	\$ 15,543,952	\$ (94,936,686)	\$ (1,484)	\$ (94,938,170)
General Revenues:						
Property taxes				56,099,249	-	56,099,249
Federal and state aid not restricted to specific purpose				27,192,206	-	27,192,206
Interest and investment earnings				98,837	2,345	101,182
Interagency revenues				1,302,334	-	1,302,334
Rental income				1,520,618	-	1,520,618
Miscellaneous				3,434,882	-	3,434,882
Total general revenues				89,648,126	2,345	89,650,471
Change in net position				(5,288,560)	861	(5,287,699)
Net position - July 1, 2012, as originally stated				68,981,373	449,296	69,430,669
Adjustment for restatement (Note 15)				955,398	-	955,398
Net position - July 1, 2012, restated				69,936,771	449,296	70,386,067
Net position - June 30, 2013				\$ 64,648,211	\$ 450,157	\$ 65,098,368

LAS VIRGENES UNIFIED SCHOOL DISTRICT*Balance Sheet – Governmental Funds**June 30, 2013*

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 21,517,980	\$ 17,445,341	\$ 14,817,496	\$ 7,899,220	\$ 61,680,037
Accounts receivable	7,945,950	46,918	-	17,290	8,010,158
Inventories	243,532	-	-	-	243,532
Total Assets	<u>\$ 29,707,462</u>	<u>\$ 17,492,259</u>	<u>\$ 14,817,496</u>	<u>\$ 7,916,510</u>	<u>\$ 69,933,727</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 7,110,750	\$ 3,869,763	\$ -	\$ 43,751	\$ 11,024,264
TRAN payable	2,350,000	-	-	-	2,350,000
Deferred revenue	2,258,903	-	-	-	2,258,903
Total Liabilities	<u>11,719,653</u>	<u>3,869,763</u>	<u>-</u>	<u>43,751</u>	<u>15,633,167</u>
Fund Balances					
Nonspendable	268,533	-	-	-	268,533
Restricted	2,262,987	13,622,496	14,817,496	5,962,548	36,665,527
Committed	768,332	-	-	1,910,211	2,678,543
Assigned	3,916,973	-	-	-	3,916,973
Unassigned	10,770,984	-	-	-	10,770,984
Total Fund Balances	<u>17,987,809</u>	<u>13,622,496</u>	<u>14,817,496</u>	<u>7,872,759</u>	<u>54,300,560</u>
Total Liabilities and Fund Balances	<u>\$ 29,707,462</u>	<u>\$ 17,492,259</u>	<u>\$ 14,817,496</u>	<u>\$ 7,916,510</u>	<u>\$ 69,933,727</u>

LAS VIRGENES UNIFIED SCHOOL DISTRICT

*Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2013*

Total fund balances - governmental funds		\$ 54,300,560
Amounts reported for governmental <i>activities</i> in the statement of net position are different because capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$314,237,383 and the accumulated depreciation is (\$74,753,235).		239,484,148
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:		(6,491,701)
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:		(2,496,336)
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:		934,226
In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in the statement of net position are:		2,055,123
In governmental funds deferred amounts on refunding are recognized as an asset and amortized over the life of the defeased debt. Unamortized deferred amounts included on the statement of net position are:		207,498
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	210,731,513
	Certificates of participation payable	11,668,794
	Compensated absences payable	791,000
	Supplementary retirement plan	154,000
		<u>(223,345,307)</u>
Total net position - governmental activities		<u>\$ 64,648,211</u>

LAS VIRGENES UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2013

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Revenue limit sources	\$ 57,875,548	\$ -	\$ -	\$ -	\$ 57,875,548
Federal sources	3,415,766	-	2,224,365	-	5,640,131
Other state sources	17,618,774	-	68,668	-	17,687,442
Other local sources	10,432,375	175,129	13,381,485	296,016	24,285,005
Total Revenues	89,342,463	175,129	15,674,518	296,016	105,488,126
EXPENDITURES					
Current:					
Instruction	59,684,878	-	-	-	59,684,878
Instruction-Related Services:					
Supervision of instruction	1,574,182	-	-	-	1,574,182
Instructional library, media and technology	1,637,727	-	-	-	1,637,727
School site administration	7,048,508	-	-	-	7,048,508
Pupil Support Services:					
Home-to-school transportation	2,233,731	-	-	-	2,233,731
All other pupil services	5,051,048	-	-	-	5,051,048
Ancillary services	326,510	-	-	-	326,510
General Administration Services:					
Data processing services	77,167	-	-	-	77,167
Other general administration	3,763,261	-	-	8,283	3,771,544
Transfers of indirect costs	(60,012)	-	-	-	(60,012)
Plant Services	7,626,110	-	-	612,180	8,238,290
Capital Outlay	560	16,853,141	-	183,086	17,036,787
Intergovernmental Transfers	381,919	-	-	-	381,919
Debt Service:					
Issuance costs	-	-	191,971	-	191,971
Principal	-	-	5,733,360	265,000	5,998,360
Interest	220,985	-	8,161,065	328,364	8,710,414
Total Expenditures	89,566,574	16,853,141	14,086,396	1,396,913	121,903,024
Excess (Deficiency) of Revenues Over (Under) Expenditures	(224,111)	(16,678,012)	1,588,122	(1,100,897)	(16,414,898)
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	450,025	-	-	450,000	900,025
Interfund transfers out	(450,000)	(450,000)	-	(25)	(900,025)
Proceeds from refunding bonds	-	-	9,630,000	-	9,630,000
Transfer to escrow agent for defeased debt	-	-	(9,438,029)	-	(9,438,029)
Total Other Financing Sources and Uses	25	(450,000)	191,971	449,975	191,971
Net Change in Fund Balances	(224,086)	(17,128,012)	1,780,093	(650,922)	(16,222,927)
Fund Balances, July 1, 2012	18,211,895	30,750,508	13,037,403	8,523,681	70,523,487
Fund Balances, June 30, 2013	\$ 17,987,809	\$ 13,622,496	\$ 14,817,496	\$ 7,872,759	\$ 54,300,560

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, 2013*

Total net change in fund balances - governmental funds \$ (16,222,927)

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	16,808,408	
Depreciation expense	<u>(7,711,898)</u>	9,096,510

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: 14,648,360

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: (1,417,579)

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: 1,094,461

In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as an increase to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were: (9,630,000)

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: (3,384,511)

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: 187,924

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Additions to unamortized debt issue costs for the year, less debt issue costs amortized for the period were: (74,145)

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: 170,328

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: (21,172)

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: 104,500

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*.) 159,691

Change in net position of governmental activities \$ (5,288,560)

LAS VIRGENES UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2013

	Business-Type Activities: Enterprise Fund
	Food Services
ASSETS	
Current Assets	
Cash	\$ 467,338
Accounts receivable	45,232
Stores inventories	41,138
Total current assets	<u>553,708</u>
Noncurrent Assets	
Capital assets	440,674
Less accumulated depreciation	<u>(431,971)</u>
Total noncurrent assets	<u>8,703</u>
Total Assets	<u>562,411</u>
LIABILITIES	
Accounts payable and accrued liabilities	36,646
Deferred revenue	<u>75,608</u>
Total liabilities	<u>112,254</u>
NET POSITION	
Net investment in capital assets	8,703
Restricted	<u>441,454</u>
Total net position	<u>\$ 450,157</u>

LAS VIRGENES UNIFIED SCHOOL DISTRICT*Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2013*

	Business-Type Activities: Enterprise Fund Food Services
OPERATING REVENUES	
Charges for services	\$ 1,546,089
Federal grants	313,723
Other grants	18,586
	<hr/>
Total operating revenues	1,878,398
	<hr/>
OPERATING EXPENSES	
Classified salaries	762,024
Employee benefits	305,155
Books and supplies	694,608
Services and other operating expenditures	56,181
Transfers of indirect costs	60,012
Depreciation	1,902
	<hr/>
Total operating expenses	1,879,882
	<hr/>
Operating income (loss)	(1,484)
NON-OPERATING REVENUES	
Interest income	2,345
	<hr/>
Change in net position	861
Net position, July 1, 2012	449,296
	<hr/>
Net position, June 30, 2013	\$ 450,157
	<hr/> <hr/>

LAS VIRGENES UNIFIED SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2013

	Business-Type Activities: Enterprise Fund Food Services
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from operations	\$ 1,880,821
Cash paid for operating expenses	(1,870,130)
	<hr/>
Net cash provided (used) by operating activities	10,691
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	2,601
	<hr/>
Net increase in cash	13,292
Cash, July 1, 2012	454,046
	<hr/>
Cash, June 30, 2013	\$ 467,338
	<hr/> <hr/>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (1,484)
Adjustments to reconcile operating income(loss) to net cash provided (used) by operating activities:	
Depreciation	1,902
Changes in assets and liabilities:	
Decrease in accounts receivable	2,423
Increase in stores inventories	(6,308)
Decrease in accounts payable	(61,450)
Increase in deferred revenue	75,608
	<hr/>
Net cash provided by operating activities	\$ 10,691
	<hr/> <hr/>
NONCASH, NONCAPITAL FINANCING ACTIVITIES	
During the year, the District received \$52,898 of food commodities from the U.S. Department of Agriculture.	

LAS VIRGENES UNIFIED SCHOOL DISTRICT
Statement of Net Position - Fiduciary Funds
June 30, 2013

	Agency Funds		Total
	Payroll Clearance Fund	Student Body Funds	
Assets			
Cash	\$ 883,053	\$ 1,338,824	\$ 2,221,877
Accounts receivable	50	-	50
Inventories	-	20,703	20,703
Total Assets	<u>\$ 883,103</u>	<u>\$ 1,359,527</u>	<u>\$ 2,242,630</u>
Liabilities			
Accounts payable	\$ -	\$ 1,088	\$ 1,088
Due to student groups	-	1,358,439	1,358,439
Due to regulatory agencies	883,103	-	883,103
Total Liabilities	<u>\$ 883,103</u>	<u>\$ 1,359,527</u>	<u>\$ 2,242,630</u>

LAS VIRGENES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements present the activities of Las Virgenes Unified School District and any component units which are legally separate organizations for which the District is financially accountable. Component units are so intertwined with the District that they are, in substance, the same as the District and, therefore, are blended and reported as if they were part of the District. The District has no component units.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Major Governmental Funds (continued)

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:

Capital Projects Funds:

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.

County School Facilities Fund: This fund is used to account for state apportionments provided for modernization of school facilities under SB50.

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 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. 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.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District's governing board must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. The final adopted and revised budgets are presented for the General Fund in the required supplementary information section.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

D. Encumbrances

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

LAS VIRGENES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Position

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2013, based on market prices. The individual funds' portions of the pool's fair value are presented as "Pooled Cash and Investments". Earnings on the pooled funds are apportioned and paid or credited to the funds quarterly based on the average daily balance of each participating fund.

2. Cash and Cash Equivalents

The District considers cash and cash equivalents in proprietary funds 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.

3. 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.

4. 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.

5. 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

6. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual and sick 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.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Position (continued)

7. 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.

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.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

G. New GASB Pronouncements

During the 2012-13 fiscal year, the following GASB Pronouncements became effective:

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*:

The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The requirements of this Statement improve financial reporting by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB*

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

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

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

LAS VIRGENES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

G. New GASB Pronouncements (continued)

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*: The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA pronouncements."

This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*: This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of Net Position by the government that is applicable to a future reporting period, and an acquisition of Net Position by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than Net Position.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 2 – CASH

Cash at June 30, 2013 is reported at fair value and consisted of the following:

	Governmental Activities/Funds	Proprietary Fund	Fiduciary Funds
Pooled Funds:			
Cash in county treasury	\$ 61,655,037	\$ 408,523	\$ 883,053
Deposits:			
Cash on hand and in banks	-	54,929	1,338,824
Cash in revolving fund	25,000	3,886	-
Total Deposits	25,000	58,815	1,338,824
Total Cash	\$ 61,680,037	\$ 467,338	\$ 2,221,877

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, 2013, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk – Deposits

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

As of June 30, 2013, \$755,404 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.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 3- ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2013 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Totals	Enterprise Fund	Fiduciary Funds
Federal Government:						
Categorical aid programs	\$ 1,383,357	\$ -	\$ -	\$ 1,383,357	\$ 40,256	\$ -
State Government:						
Lottery	863,951	-	-	863,951	-	-
Categorical aid programs	3,182,971	-	-	3,182,971	-	-
Class size reduction	1,174,726	-	-	1,174,726	-	-
Other state resources	198,094	-	-	198,094	2,946	-
Local:						
Interest	22,945	46,918	17,290	87,153	887	50
Miscellaneous	587,255	-	-	587,255	-	-
Other local resources	532,651	-	-	532,651	1,143	-
Total	\$ 7,945,950	\$ 46,918	\$ 17,290	\$ 8,010,158	\$ 45,232	\$ 50

NOTE 4 - INTERFUND TRANSACTIONS

Transfers To/From Other Funds

Transfers to/from other funds at June 30, 2013 consisted of the following:

	Interfund Transfers In		Total
	General Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 450,000	\$ 450,000
Building Fund	450,000	-	450,000
Nonmajor Governmental Funds	25	-	25
Total	\$ 450,025	\$ 450,000	\$ 900,025

General Fund transfer to Deferred Maintenance Fund for deferred maintenance match	\$ 450,000
Adult Education Fund transfer to General Fund to close Adult Education Fund	25
Building Fund transfer to General Fund for deferred maintenance match	450,000
Total	\$ 900,025

NOTE 5 - TAX REVENUE ANTICIPATION NOTES

The District issued \$1,980,000 of Tax Revenue and Anticipation Notes dated July 1, 2012. The notes matured on June 3, 2013 and yielded 0.48% 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 2013, until 100% of principal and interest due was on account in April 2013.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 5 - TAX REVENUE ANTICIPATION NOTES (continued)

The District issued \$2,350,000 of Tax Revenue and Anticipation Notes dated February 27, 2013. The notes matured on October 1, 2013 and yielded 2.0% interest. The notes were sold to supplement cash flow. Repayment requirements included two repayment periods. The first repayment was \$1,622,000 which was due on July 31, 2013. The second repayment was the remaining amount of principal outstanding plus all accrued interest on October 1, 2013.

NOTE 6 - 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, 2013, fund balances of the District's governmental funds were classified as follows:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable:					
Revolving cash	\$ 25,000	\$ -	\$ -	\$ -	\$ 25,000
Stores inventories	243,532	-	-	-	243,532
Total Nonspendable	268,532	-	-	-	268,532
Restricted:					
Categorical programs	2,262,988	-	-	-	2,262,988
Capital projects	-	13,622,496	-	5,962,548	19,585,044
Debt service	-	-	14,817,496	-	14,817,496
Total Restricted	2,262,988	13,622,496	14,817,496	5,962,548	36,665,528
Committed:					
Deferred maintenance program	-	-	-	1,910,211	1,910,211
School site carryover	768,332	-	-	-	768,332
Total Committed	768,332	-	-	1,910,211	2,678,543
Assigned:					
Revenue limit deferral	2,742,247	-	-	-	2,742,247
K-3 class size reduction deferral	1,174,726	-	-	-	1,174,726
Total Assigned	3,916,973	-	-	-	3,916,973
Unassigned:					
Reserve for economic uncertainties	2,700,497	-	-	-	2,700,497
Remaining unassigned balances	8,070,487	-	-	-	8,070,487
Total Unassigned	10,770,984	-	-	-	10,770,984
Total	\$ 17,987,809	\$ 13,622,496	\$ 14,817,496	\$ 7,872,759	\$ 54,300,560

LAS VIRGENES UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2013

NOTE 7 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance, July 1, 2012	Additions	Retirements	Balance, June 30, 2013
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 14,853,507	\$ -	\$ -	\$ 14,853,507
Construction in progress	41,837,070	16,178,515	57,058,859	956,726
Total capital assets not being depreciated	<u>56,690,577</u>	<u>16,178,515</u>	<u>57,058,859</u>	<u>15,810,233</u>
Capital assets being depreciated:				
Land Improvements	16,171,446	46,185	-	16,217,631
Infrastructure	90,000	-	-	90,000
Buildings and Improvements	213,016,912	57,058,859	-	270,075,771
Equipment	11,510,199	583,708	50,159	12,043,748
Total capital assets being depreciated	<u>240,788,557</u>	<u>57,688,752</u>	<u>50,159</u>	<u>298,427,150</u>
Accumulated depreciation for:				
Land Improvements	(9,465,821)	(458,567)	-	(9,924,388)
Infrastructure	(90,000)	-	-	(90,000)
Buildings and Improvements	(50,750,474)	(6,262,719)	-	(57,013,193)
Equipment	(6,785,201)	(990,612)	(50,159)	(7,725,654)
Total accumulated depreciation	<u>(67,091,496)</u>	<u>(7,711,898)</u>	<u>(50,159)</u>	<u>(74,753,235)</u>
Total capital assets being depreciated, net	<u>173,697,061</u>	<u>49,976,854</u>	<u>-</u>	<u>223,673,915</u>
Governmental activities capital assets, net	<u>\$ 230,387,638</u>	<u>\$ 66,155,369</u>	<u>\$ 57,058,859</u>	<u>\$ 239,484,148</u>
Business-Type Activities				
Capital assets being depreciated:				
Equipment	\$ 440,674	\$ -	\$ -	\$ 440,674
Accumulated depreciation for:				
Equipment	(430,069)	(1,902)	-	(431,971)
Business-Type activities capital assets, net	<u>\$ 10,605</u>	<u>\$ (1,902)</u>	<u>\$ -</u>	<u>\$ 8,703</u>

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

Governmental Activities:	
Instruction	\$ 7,249,184
All other general administration	424,154
Plant services	38,560
Total governmental activities depreciation expense	<u>\$ 7,711,898</u>
Business-Type Activities:	
Food services	<u>\$ 1,902</u>
Total depreciation expense	<u>\$ 7,713,800</u>

LAS VIRGENES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 8 – GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2013 were as follows:

	Balance, July 1, 2012	Additions	Deductions	Balance, June 30, 2013	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	\$ 168,811,602	\$ 9,630,000	\$ 14,383,360	\$ 164,058,242	\$ 6,478,751
Accreted interest component	36,751,767	5,291,151	1,906,640	40,136,278	2,111,249
Unamortized issuance premium	7,633,502	-	1,096,509	6,536,993	397,886
Total - Bonds	<u>213,196,871</u>	<u>14,921,151</u>	<u>17,386,509</u>	<u>210,731,513</u>	<u>8,987,886</u>
Certificates of Participation:					
Principal repayments	11,985,000	-	265,000	11,720,000	275,000
Unamortized issuance discount	(53,254)	-	(2,048)	(51,206)	(2,048)
Total - Certificates of Participation	<u>11,931,746</u>	<u>-</u>	<u>262,952</u>	<u>11,668,794</u>	<u>272,952</u>
Compensated Absences	950,691	-	159,691	791,000	-
Supplemental Early Retirement	258,500	-	104,500	154,000	77,000
Other Postemployment Benefits	<u>5,074,122</u>	<u>1,417,579</u>	<u>-</u>	<u>6,491,701</u>	<u>-</u>
Totals	<u>\$ 231,411,930</u>	<u>\$ 16,338,730</u>	<u>\$ 17,913,652</u>	<u>\$ 229,837,008</u>	<u>\$ 9,337,838</u>

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.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

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 charges on refunding on the statement of net assets and are amortized to interest expense over the life of the liability. Deferred charges on refunding of \$207,498 remain to be amortized. As of June 30, 2013, the principal balance outstanding on the defeased debt amounted to \$8,650,000.

The refunding decreased the District's total debt service payments by \$359,437. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$337,434.

LAS VIRGENES UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2013

NOTE 8 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

The outstanding bonded debt at June 30, 2013 was as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2012	Additions	Deductions	Balance, June 30, 2013
1997 A	2/24/1998	11/1/2022	3.65%-5.15%	\$ 29,999,130	\$ 9,039,130	\$ -	\$ 1,067,997	\$ 7,971,133
1997 B	8/11/1999	11/1/2023	4.85%-5.68%	9,374,387	7,184,904	-	477,642	6,707,262
1997 C	3/21/2001	11/1/2025	4.05%-5.44%	18,492,813	3,978,107	-	292,721	3,685,386
1997 D	10/17/2002	9/1/2027	2.00%-5.20%	32,627,309	22,932,311	-	1,295,000	21,637,311
2004 Ref.	8/4/2004	11/1/2021	1.50%-5.18%	14,471,501	11,686,501	-	9,280,000	2,406,501
2006 A	11/30/2006	8/1/2031	3.50%-5.0%	44,566,153	35,681,153	-	955,000	34,726,153
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	29,998,274	-	1,015,000	28,983,274
2011 Ref.	5/19/2011	8/1/2015	2.00%-3.00%	5,385,000	5,315,000	-	-	5,315,000
2013 Ref.	1/10/2013	11/1/2019	0.588%-2.365%	9,630,000	-	9,630,000	-	9,630,000
					<u>\$ 168,811,602</u>	<u>\$ 9,630,000</u>	<u>\$ 14,383,360</u>	<u>\$ 164,058,242</u>

Accreted Interest Component

1997 A	\$ 9,429,710	\$ 899,814	\$ 1,122,003	\$ 9,207,521
1997 B	7,553,978	829,306	502,358	7,880,926
1997 C	4,071,445	473,574	282,279	4,262,740
1997 D	12,983,802	1,781,421	-	14,765,223
2004 Ref.	1,227,958	251,332	-	1,479,290
2006 A	185,699	46,480	-	232,179
2006 B	1,017,524	577,231	-	1,594,755
2006 C	281,651	431,993	-	713,644
	<u>\$ 36,751,767</u>	<u>\$ 5,291,151</u>	<u>\$ 1,906,640</u>	<u>\$ 40,136,278</u>

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

Fiscal Year	Principal	Interest	Total
2013-14	\$ 6,478,751	\$ 8,101,909	14,580,660
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
2018-23	38,498,869	56,929,493	95,428,362
2023-28	33,383,595	65,640,246	99,023,841
2028-33	36,914,796	22,608,472	59,523,268
2033-35	19,044,218	3,420,015	22,464,233
Total	<u>\$ 164,058,242</u>	<u>\$ 193,005,043</u>	<u>\$ 357,063,285</u>

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.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

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, 2013 was \$11,720,000.

Fiscal Year	Principal	Interest	Total
2013-14	\$ 275,000	\$ 540,744	\$ 815,744
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
2018-23	1,775,000	2,293,774	4,068,774
2023-28	2,200,000	1,869,420	4,069,420
2028-33	2,765,000	1,299,484	4,064,484
2033-38	3,520,000	545,500	4,065,500
Total	<u>\$ 11,720,000</u>	<u>\$ 8,612,998</u>	<u>\$ 20,332,998</u>

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, 2013 amounted to \$154,000.

The supplemental early retirement plan has the following required payments:

Fiscal Year	Total Payment
2013-14	\$ 77,000
2014-15	38,500
2015-16	22,000
2016-17	16,500
Total	<u>\$ 154,000</u>

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.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 9 – JOINT POWERS AGREEMENTS (continued)

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

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

	ASCIP June 30, 2012 (Audited)	SLIM June 30, 2013 (Audited)
Assets	\$ 272,622,432	\$ 16,258,651
Liabilities	148,239,028	13,124,130
Net Position	<u>\$ 124,383,404</u>	<u>\$ 3,134,521</u>
Revenues	\$ 183,649,717	\$ 7,943,458
Expenses	174,073,579	7,097,297
Operating Income	9,576,138	846,161
Non-Operating Income	2,774,321	72,368
Change in Net Position	<u>\$ 12,350,459</u>	<u>\$ 918,529</u>

Each JPA is independently accountable for its fiscal matters and maintains its own accounting records. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA. The relationships between the Las Virgenes Unified School District and the JPAs are such that no JPA is a component unit of the Las Virgenes Unified School District for financial reporting purposes.

NOTE 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, 2013, the District had commitments with respect to unfinished capital projects of approximately \$2.8 million.

C. Litigation

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2013.

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.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 11 – RISK MANAGEMENT (continued)

During fiscal year ending June 30, 2013, 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 2012-13 was 11.417%. 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
2012-13	\$ 1,716,788	100%
2011-12	\$ 1,664,381	100%
2010-11	\$ 1,604,694	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.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

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 2012-13 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
2012-13	\$ 3,505,134	100%
2011-12	\$ 3,485,833	100%
2010-11	\$ 3,483,696	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 \$1.8 million to STRS (4.267% of salaries subject to STRS in 2012-13).

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*	179
Active plan members*	828
Total	<u>1,007</u>

* As of July 1, 2011 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 2012-13, the District contributed \$254,865 towards retirees medical benefit premiums.

Annual OPEB Cost and Net OPEB Obligation

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

LAS VIRGENES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

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)	\$ 1,740,862
Interest on net OPEB obligation	253,706
Adjustment to ARC	<u>(322,124)</u>
Annual OPEB cost	1,672,444
Contributions made:	
pay-as-you-go costs	<u>(254,865)</u>
Increase in net OPEB liability	1,417,579
Net OPEB liability - July 1, 2012	<u>5,074,122</u>
Net OPEB liability - June 30, 2013	<u>\$ 6,491,701</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012-13 and the preceding two years are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2011	\$ 1,327,619	13%	\$ 3,563,227
2012	\$ 1,692,816	11%	\$ 5,074,122
2013	\$ 1,672,444	15%	\$ 6,491,701

Funded Status and Funding Progress – OPEB Plans

As of July 1, 2012, the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was \$13.9 million and the unfunded actuarial accrued liability (UAAL) was \$13.9 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.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions (continued)

Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2011
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 PRONOUNCEMENTS

The following statements issued by the Governmental Accounting Standards Board (GASB) will become effective in future years and are expected to have a significant impact on the District's financial reporting:

A. 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.

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.

This Statement will become effective in 2013-14.

B. 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.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 14 - FUTURE GASB PRONOUNCEMENTS (continued)

B. Statement No. 68 (continued)

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.

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.

This Statement will become effective in 2014-15.

NOTE 15 - ADJUSTMENT FOR RESTATEMENT

The beginning net position on the statement of activities has been restated by \$955,398. The balance of accounts receivable as of June 30, 2012, was understated by the amount of interest receivable from the federal government for the Measure "G" Build America Bonds (BABs) and the Qualified School Construction Bonds (QSCBs).

NOTE 16 - SUBSEQUENT EVENT

The District issued \$3,955,000 of Tax Revenue Anticipation Notes dated July 10, 2013. The notes mature on June 2, 2014, and yield 2.0% interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the fiscal agent each month beginning January 2014, until 100% of principal and interest due is on account in April 2014.

(This page intentionally left blank)

Required Supplementary Information

(This page intentionally left blank)

LAS VIRGENES UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
Revenue limit sources	\$ 52,969,914	\$ 57,840,391	\$ 57,875,548	\$ 35,157
Federal	3,474,349	3,474,362	3,415,766	(58,596)
Other state	15,599,020	17,394,809	17,618,774	223,965
Other local	8,840,367	10,484,636	10,432,375	(52,261)
Total Revenues	80,883,650	89,194,198	89,342,463	148,265
Expenditures				
Current:				
Certificated salaries	41,636,219	44,354,509	44,003,471	351,038
Classified salaries	15,138,290	16,000,349	15,815,896	184,453
Employee benefits	16,659,668	17,338,821	17,018,549	320,272
Books and supplies	2,280,523	3,211,582	1,905,838	1,305,744
Services and other operating expenditures	9,987,084	10,585,729	10,131,021	454,708
Transfers of indirect costs	(87,000)	(87,000)	(60,012)	(26,988)
Capital outlay	185,105	123,649	148,907	(25,258)
Intergovernmental	325,000	550,203	602,904	(52,701)
Total Expenditures	86,124,889	92,077,842	89,566,574	2,511,268
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,241,239)	(2,883,644)	(224,111)	2,659,533
Other Financing Sources and Uses				
Interfund transfers in	450,000	450,000	450,025	25
Interfund transfers out	(450,000)	(450,000)	(450,000)	-
Total Other Financing Sources and Uses	-	-	25	25
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(5,241,239)	(2,883,644)	(224,086)	2,659,558
Fund Balances, July 1, 2012	18,211,895	18,211,895	18,211,895	-
Fund Balances, June 30, 2013	\$ 12,970,656	\$ 15,328,251	\$ 17,987,809	\$ 2,659,558

LAS VIRGENES UNIFIED SCHOOL DISTRICT
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2013

Actuarial Valuation Date	Value of Trust 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	0.0%	\$ 57,182,495	17%
July 1, 2011	\$ -	\$ 13,985,477	\$ 13,985,477	0.0%	\$ 57,447,025	24%

LAS VIRGENES UNIFIED SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2013

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, 2013, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
Transfers of indirect costs	\$ 26,988
Capital outlay	25,258
Intergovernmental	52,701

(This page intentionally left blank)

Supplementary Information

(This page intentionally left blank)

LAS VIRGENES UNIFIED SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2013

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
Lesli Stein	President	2013
David Moorman	Vice President	2013
Gordon Whitehead	Clerk	2013
Jill Gaines	Member	2015
Cindy Iser	Member	2015

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, 2013

	Adult Education Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Total Non-Major Governmental Funds
ASSETS					
Cash	\$ -	\$ 1,910,077	\$ 5,989,424	\$ (281)	\$ 7,899,220
Accounts receivable	-	3,532	13,477	281	17,290
Total Assets	<u>\$ -</u>	<u>\$ 1,913,609</u>	<u>\$ 6,002,901</u>	<u>\$ -</u>	<u>\$ 7,916,510</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ 3,398	\$ 40,353	\$ -	\$ 43,751
Total Liabilities	-	3,398	40,353	-	43,751
Fund Balances					
Restricted	-	-	5,962,548	-	5,962,548
Committed	-	1,910,211	-	-	1,910,211
Total Fund Balances	-	1,910,211	5,962,548	-	7,872,759
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 1,913,609</u>	<u>\$ 6,002,901</u>	<u>\$ -</u>	<u>\$ 7,916,510</u>

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, 2013

	Adult Education Fund	Deferred Maintenance Fund	Capital Facilities Fund	County Schools Facilities Fund	Total Non-Major Governmental Funds
REVENUES					
Other local sources	\$ -	\$ 10,793	\$ 284,443	\$ 780	\$ 296,016
Total Revenues	-	10,793	284,443	780	296,016
EXPENDITURES					
Current:					
General Administration Services:					
Other general administration	-	-	8,283	-	8,283
Plant services	-	612,180	-	-	612,180
Capital outlay	-	-	60,318	122,768	183,086
Debt Service:					
Principal	-	-	265,000	-	265,000
Interest	-	-	328,364	-	328,364
Total Expenditures	-	612,180	661,965	122,768	1,396,913
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(601,387)	(377,522)	(121,988)	(1,100,897)
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	-	450,000	-	-	450,000
Interfund transfers out	(25)	-	-	-	(25)
Total Other Financing Sources and Uses	(25)	450,000	-	-	449,975
Net Change in Fund Balances	(25)	(151,387)	(377,522)	(121,988)	(650,922)
Fund Balances, July 1, 2012	25	2,061,598	6,340,070	121,988	8,523,681
Fund Balances, June 30, 2013	\$ -	\$ 1,910,211	\$ 5,962,548	\$ -	\$ 7,872,759

LAS VIRGENES UNIFIED SCHOOL DISTRICT*Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2013*

	Second Period Report (Certificate No. 841CBB91)	Annual Report (Certificate No. F74D2D4F)
Elementary:		
Kindergarten	713	718
Grades 1 through 3	2,090	2,093
Grades 4 through 6	2,311	2,313
Grades 7 and 8	1,715	1,720
Home and hospital	5	6
Special education	167	168
Extended year program	8	8
	<hr/>	<hr/>
Total Elementary	7,009	7,026
	<hr/>	<hr/>
Secondary:		
Grades 9 through 12	3,633	3,627
Continuation education	38	40
Home and hospital	3	4
Special education	132	130
Extended year program	8	8
	<hr/>	<hr/>
Total Secondary	3,814	3,809
	<hr/>	<hr/>
Total Average Daily Attendance	10,823	10,835
	<hr/>	<hr/>

LAS VIRGENES UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2013

Grade Level	1982-83 Minutes		1986-87 Minutes		2012-13 Actual Minutes	Number of Days Traditional Calendar	Status
	Actual	Reduced*	Previously Required	Reduced*			
Kindergarten	31,860	30,975	36,000	35,000	39,495	180	Complied
Grade 1	49,470	48,096	50,400	49,000	50,865	180	Complied
Grade 2	49,470	48,096	50,400	49,000	50,865	180	Complied
Grade 3	49,470	48,096	50,400	49,000	50,865	180	Complied
Grade 4	49,470	48,096	54,000	52,500	54,510	180	Complied
Grade 5	49,470	48,096	54,000	52,500	54,510	180	Complied
Grade 6	49,470	48,096	54,000	52,500	56,100	180	Complied
Grade 7	55,240	53,706	54,000	52,500	56,100	180	Complied
Grade 8	55,240	53,706	54,000	52,500	57,840	180	Complied
Grade 9	56,645	55,072	64,800	63,000	67,385	180	Complied
Grade 10	56,645	55,072	64,800	63,000	67,385	180	Complied
Grade 11	56,645	55,072	64,800	63,000	67,385	180	Complied
Grade 12	56,645	55,072	64,800	63,000	67,385	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, 2013

General Fund	(Budget) 2014 ²	2013	2012	2011
Revenues and other financing sources	\$ 90,327,259	\$ 89,792,488	\$ 90,542,018	\$ 98,981,235
Expenditures	92,248,714	89,566,574	92,214,550	90,931,225
Other uses and transfers out	450,000	450,000	-	-
Total outgo	92,698,714	90,016,574	92,214,550	90,931,225
Change in fund balance (deficit)	(2,371,455)	(224,086)	(1,672,532)	8,050,010
Ending fund balance	\$ 15,616,354	\$ 17,987,809	\$ 18,211,895	\$ 19,884,427
Available reserves ¹	\$ 9,095,655	\$ 10,770,984	\$ 4,176,698	\$ 3,607,604
Available reserves as a percentage of total outgo	9.8%	12.0%	4.5%	4.0%
Total long-term debt	\$ 224,264,915	\$ 229,837,008	\$ 231,411,930	\$ 233,622,574
Average daily attendance at P-2	10,713	10,823	10,956	10,972

The General Fund balance has decreased by \$1,896,618 over the past two years. The fiscal year 2013-14 adopted budget projects a decrease of \$2,371,455. 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 2013-14 fiscal year. Long-term debt has decreased by \$3,785,566 over the past two years.

Average daily attendance has decreased by 149 over the past two years. A further decrease of 110 is anticipated during fiscal year 2013-14.

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

² Revised Final Budget September, 2013

LAS VIRGENES UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2013

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	\$ 26,862	
School Breakfast Program - Especially Needy	10.553	13526	3,074	
National School Lunch Program	10.555	13523	230,889	
USDA Donated Foods	10.555	N/A	52,898	
Total Child Nutrition Cluster				313,723
Total U.S. Department of Agriculture				313,723
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		801,185
Title II, Part A, Teacher Quality Local	84.367	14341		250,697
Title II, Part D, Enhancing Education Through Technology	84.318	14334		40
English Language Acquisition Grants Cluster:				
Title III, Immigrant Education Program	84.365	15146	15,600	
Title III, Limited English Proficiency	84.365	14346	82,950	
Total English Language Acquisition Grants Cluster				98,550
Department of Rehabilitation: Workability II, Transitions Partnership	84.158	10006		123,778
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894		49,780
Individuals with Disabilities Education Act (IDEA):				
Local Assistance Entitlement	84.027	13379	1,871,178	
Preschool Local Entitlement, Part B	84.173A	13682	138,710	
Total Special Education (IDEA) Cluster				2,009,888
Education Jobs Fund	84.410	25152		32,289
Total U.S. Department of Education				3,366,207
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education:				
Medi-Cal Administrative Activities (MAA)	N/A	10060		49,559
Total U.S. Department of Health & Human Services				49,559
Total Expenditures of Federal Awards				\$ 3,729,489

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, 2013

	Actual Results for the Years (Amounts in thousands)					
	2012-13		2011-12		2010-11	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
Revenues						
Federal revenue	\$ 3,416	3.82	\$ 3,451	3.83	\$ 7,356	7.43
State and local revenue included in revenue limit	57,875	64.78	57,538	63.87	59,029	59.64
Other state revenue	17,619	19.72	17,992	19.97	18,562	18.75
Other local revenue	10,432	11.68	11,111	12.33	14,034	14.18
Total Revenues	89,342	100.00	90,092	100.00	98,981	100.00
Expenditures						
Salaries and benefits						
Certificated salaries	44,003	49.25	43,551	48.34	43,210	43.65
Classified salaries	15,816	17.70	15,960	17.72	15,587	15.75
Employee benefits	17,019	19.05	19,063	21.16	18,965	19.16
Subtotal salaries and benefits	76,838	86.00	78,574	87.22	77,762	78.56
Books and supplies	1,906	2.13	2,362	2.62	1,849	1.87
Services and operating expenditures	10,131	11.34	9,577	10.63	11,024	11.14
Capital outlay	149	0.17	195	0.22	80	0.08
Other outgo	542	0.61	244	0.27	216	0.22
Total Expenditures	89,566	100.25	90,952	100.95	90,931	91.87
Excess (Deficiency) of Revenues Over (Under) Expenditures	(224)	(0.25)	(860)	(0.95)	8,050	8.13
Other Financing Sources and Uses						
Interfund transfers in	450	0.50	450	0.50	-	-
Interfund transfers out	(450)	(0.50)	(1,262)	(1.40)	-	-
Total Other Financing Sources and Uses	-	-	(812)	(0.90)	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(224)	(0.25)	(1,672)	(1.86)	8,050	8.13
Fund Balances, Beginning	18,212		19,884		11,834	
Fund Balances, Ending	\$ 17,988		\$ 18,212		\$ 19,884	

LAS VIRGENES UNIFIED SCHOOL DISTRICT

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2013*

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

LAS VIRGENES UNIFIED SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2013

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

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as 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

(This page intentionally left blank)



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, 2013, 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 13, 2013.

Internal Control Over Financial Reporting

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

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

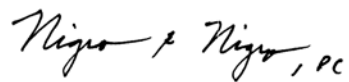
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

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.



December 13, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT 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, 2013. 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, 2013.

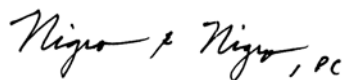
Report on Internal Control Over Compliance

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.



December 13, 2013



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 2012-13, published by the Education Audit Appeals Panel, for the year ended June 30, 2013. 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 2012-13. 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.

Table with 3 columns: Description, Procedures in Audit Guide, Procedures Performed. Rows include Attendance Reporting, Teacher Certification and Misassignments, Kindergarten Continuance, Independent Study, Continuation Education, Instructional Time (School Districts, County Offices of Education), Instructional Materials General Requirements, Ratios of Administrative Employees to Teachers, Classroom Teacher Salaries, and Early Retirement Incentive.

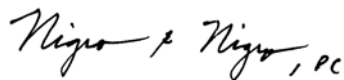
Description	Procedures in Audit Guide	Procedures Performed
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not applicable
Class Size Reduction:		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not applicable
Districts with Only One School Serving K-3	4	Not applicable
After School Education and Safety Program:		
General Requirements	4	Not applicable
After School	5	Not applicable
Before School	6	Not applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	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

We did not perform testing for continuation education because the ADA was below the level that requires testing.

Opinion on Compliance with State Programs

In our opinion, Las Virgenes Unified School District complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2013.

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 2012-13*. Accordingly, this report is not suitable for any other purpose.



December 13, 2013

Findings and Questioned Costs

(This page intentionally left blank)

LAS VIRGENES UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>No</u>
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	
<u>CFDA Numbers</u> <u>Name of Federal Program or Cluster</u>	
<u>84.010</u> <u>Title I, Part A, Basic Grants</u>	
<u>84.367</u> <u>Title II, Part A, Teacher Quality</u>	

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

State Awards

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

LAS VIRGENES UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS

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

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
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 2012-13.

LAS VIRGENES UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

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 2012-13.

LAS VIRGENES UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

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

LAS VIRGENES UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2013

There were no findings or questioned costs in 2011-12.

(This page intentionally left blank)



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, 2013, 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 13, 2013, on the financial statements of Las Virgenes Unified School District.

EXPENDITURES

Observation: During our review of the District controls over expenditures, we noted 13 items where internal control procedures were not followed in our sample of 85 items. We noted 13 instances where the invoice date preceded the purchase order date, indicating that the expenditure had been incurred prior to approval. Of these 13 exceptions, 11 were related to the District's Title I program.

Recommendation: We recommend that the Business Office emphasize the importance of pre-approval for all District expenditures to all departments. Further, we recommend that the District obtain and retain sufficient supporting documentation for each expenditure and physically mark invoices to indicate that items have been received. This will prevent the District from incurring expenditures for which no services have been rendered.

COMPENSATED ABSENCES

Observation: During our audit of the District we reviewed the collective bargaining unit agreement for classified staff and identified that the maximum carryover of vacation for these employees is 40 hours. After reviewing the schedule of compensated absences, we noted 135 employees that have accrued vacation in excess of the maximum carryover limit. The cost of this excess carryover is estimated to be \$648,433 as of June 30, 2013.

Recommendation: The District should begin monitoring the balances and enforcing the carryover limitations in accordance with the collective bargaining agreement.

ASSOCIATED STUDENT BODY (ASB) FUNDS

Observation: During our inquiries, we noted that the ASB bookkeeper at one of the sites is currently a signer on the bank account. This creates a lack of segregation of duties. Good internal controls include segregating duties so that one person is not handling a transaction from beginning to end. This is a critical part of a system of checks and balances. Those who record the transaction should be separate from those who authorize and execute the transaction.

Recommendation: We recommend that the bookkeeper be removed as an authorized signer on the ASB account.

Observation: In our testing of cash receipts, we found that several deposits at multiple sites tested lacked sufficient supporting documentation. Without proper supporting documentation we could not verify whether all cash collected has been deposited intact and into the correct ASB account. Additionally, we noted that the ASBs at multiple sites do not have a process in place to ensure that revenue potentials are prepared for fundraising activities.

Recommendation: We recommend that before any events are held, control procedures are established that will allow for the reconciliation between money collected and fundraiser sales. Sound internal controls for handling cash discourage the theft of ASB funds and protect those who handle cash. Additionally, we recommend that revenue potentials be prepared for all major fund-raising activities. 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. 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.

Observation: In our test of cash disbursements, at multiple sites 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.

Recommendation: Education Code Section 48933(b) requires all expenditures from ASB funds be authorized by a student representative, an advisor, and a district representative prior to disbursing the funds. 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 disbursements we noted several disbursements tested at multiple sites which lacked evidence of receipt of goods or service.

Recommendation: We recommend that the sites document a physical receipt of the goods or services on the corresponding invoice, packing slip, or other documentation, such as writing "ok to pay" or "received" and initialing the document prior to issuing the check for payment. This ensures that payment is not being made for items received incorrectly or not received at all.

ASSOCIATED STUDENT BODY (ASB) FUNDS (continued)

Observation: At Agoura High, we noted a Student Support account which appears to be used to make donations to specific students. The use of ASB funds for this purpose also constitutes a gift of public funds. Gifts of public funds to organizations, teachers, students or families are not allowable no matter how nominal the amount or how worthy the cause. ASB funds are considered public funds because they are raised through the District's tax identification number and receive the benefit of nontaxable status.

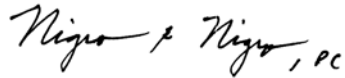
Recommendation: We recommend that the ASB Bookkeeper close the account and transfer the funds to the general ASB account.

SCHOOL SITE ACCOUNT

Observation: During our inquiries at Lindero Canyon Middle, we were informed that the site operates a "Sunshine Fund" for teachers. The fund is maintained in a bank account that is registered in the name of the school. Generally, we discourage the use of any accounts registered in the name of the school sites or District that do not have proper District oversight.

Recommendation: We recommend that the District investigate further the purpose of this account and either close the account or begin requiring bank statements to be mailed directly to the District Office to be reconciled.

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



December 13, 2013