



**LAS VIRGENES UNIFIED
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

LAS VIRGENES UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Governing Board
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 the Las Virgenes Unified School District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-2012*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously 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 the Las Virgenes Unified School District, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding requirements of the State of California to the K-12 educational community.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, budgetary comparison schedule and schedule of other postemployment benefits funding progress on pages 54 and 55 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133)* and other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

VADRENSK TIRNE, Day + Co, LLP

Rancho Cucamonga, California
December 4, 2012



BOARD OF EDUCATION

JILL GAINES

CINDY ISER

DAVE MOORMAN

LESLI STEIN

GORDON WHITEHEAD

DANIEL STEPENOSKY, Ed.D.
SUPERINTENDENT

This section of Las Virgenes Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Las Virgenes Unified School District and its component units using the integrated approach as prescribed by the Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the District (including capital leases) as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, business-type, and fiduciary.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Business-Type Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary activities are agency funds, which only report a balance sheet and do not have a measurement focus. *Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements* is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Las Virgenes Unified School District.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The *Statement of Net Assets* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. Net assets are the difference between assets and liabilities, one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Assets* and the *Statement of Activities*, we separate the District activities as follows:

Governmental Activities - Most of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State and local grants, as well as general obligation bonds, finance these activities.

Business-Type Activities - The District charges fees to help it cover the costs of certain services it provides. The District's food services are included here.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Governmental funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Assets* and the *Statement of Revenues, Expenses, and Changes in Fund Net Assets*. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide financial statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities, scholarships, and employee retiree benefits. The District's fiduciary activities are reported in separate *Statements of Fiduciary Net Assets*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$69.431 million for the fiscal year ended June 30, 2012. Of this amount, \$12.752 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

(Amounts in millions)	Governmental Activities		Business-Type Activities		School District Activities	
	2012	2011	2012	2011	2012	2011
Assets						
Current and other assets	\$ 87.894	\$ 115.147	\$ 0.536	\$ 0.608	\$ 88.430	\$ 115.755
Capital assets	230.388	207.710	0.011	0.019	230.398	207.729
Total Assets	318.282	322.857	0.547	0.627	318.828	323.484
Liabilities						
Current liabilities	17.898	19.798	0.098	0.105	17.996	19.903
Long-term obligations	231.402	233.623	-	-	231.402	233.623
Total Liabilities	249.300	253.421	0.098	0.105	249.398	253.526
Net Assets						
Invested in capital assets, net of related debt	36.010	33.025	0.011	0.019	36.021	33.044
Restricted	20.220	23.224	0.438	0.503	20.658	23.727
Unrestricted	12.752	13.187	-	-	12.752	13.187
Total Net Assets	\$ 68.982	\$ 69.436	\$ 0.449	\$ 0.522	\$ 69.431	\$ 69.958

The \$12.752 million in unrestricted net assets of School District activities represents the accumulated results of all past years' operations.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 15. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

(Amounts in millions)	Governmental Activities		Business-Type Activities		School District Activities	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for services	\$ 1.345	\$ 1.455	\$ 1.661	\$ 1.724	\$ 3.006	\$ 3.179
Operating grants and contributions	14.726	18.534	0.338	0.307	15.064	18.841
Capital grants and contributions	6.768	-	-	-	6.768	-
General revenues:						
unrestricted	31.330	32.332	-	-	31.330	32.332
Property taxes	49.396	49.377	-	-	49.396	49.377
Other general revenues	8.315	9.718	0.004	0.006	8.319	9.724
Total Revenues	111.880	111.416	2.003	2.037	113.883	113.453
Expenses						
Instruction:						
Regular education	50.013	49.953	-	-	50.013	49.953
Special education, including transportation	19.926	20.659	-	-	19.926	20.659
Student support services	17.075	16.069	2.076	2.009	19.151	18.078
Administration	4.365	4.058	-	-	4.365	4.058
Maintenance and operations	8.175	7.891	-	-	8.175	7.891
Facility acquisition	0.568	0.597	-	-	0.568	0.597
Interest on long-term obligations	11.830	10.603	-	-	11.830	10.603
Other	0.382	0.306	-	-	0.382	0.306
Total Expenses	112.334	110.136	2.076	2.009	114.410	112.145
Change in Net Assets	\$ (0.454)	\$ 1.280	\$ (0.073)	\$ 0.028	\$ (0.527)	\$ 1.308

LAS VIRGENES UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$112.335 million. However, the amount that our taxpayers ultimately financed for these activities through general property taxes was only \$47.046 million because the cost was paid by those who benefited from the programs or by other governments and organizations who subsidized certain programs with grants and contributions. In addition to general property tax revenues, \$2.350 million was received during the third year of the eight year renewal of the District's parcel tax. The tax, along with donations from families outside the District, enabled the District to maintain programs that would have otherwise been subject to budget cuts.

In Table 3, we have presented the cost and *net* cost (total cost less revenues generated by the activities of each of the District's largest functions). The functions are: instruction (regular and special education), instruction-related activities, home-to-school transportation, general administration, maintenance and operations, facility acquisition and construction, ancillary services, interest on long-term obligations, and other outgo. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

(Amounts in millions)	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Instruction regular education	\$ 50.013	\$ 49.953	\$ 38.381	\$ 42.847
Instruction special education	19.926	20.659	11.903	11.655
Instruction-related activities	16.112	15.048	15.238	14.194
Home-to-school transportation	0.963	1.021	0.207	(0.033)
General administration	4.365	4.058	4.133	3.772
Maintenance and operations	8.175	7.891	8.113	7.884
Facility acquisition and construction	0.568	0.597	0.568	0.597
Ancillary services	0.074	0.008	0.069	0.008
Interest on long-term obligations	11.830	10.603	11.830	10.603
Other outgo	0.308	0.298	(0.947)	(1.380)
Total	\$ 112.334	\$ 110.136	\$ 89.495	\$ 90.147

LAS VIRGENES UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$70.524 million, which is a decrease of \$24.793 million from last year.

Table 4

(Amounts in millions)	Balances and Activity			
	July 1, 2011	Revenues	Expenditures	June 30, 2012
General Fund	\$ 19.884	\$ 90.542	\$ 92.214	\$ 18.212
Building Fund	54.047	7.212	30.508	30.751
Bond Interest and Redemption Fund	13.072	14.039	14.074	13.037
Deferred Maintenance Fund	2.299	0.468	0.705	2.062
Capital Facilities Fund	5.913	1.310	0.883	6.340
County School Facilities Fund	0.102	6.768	6.748	0.122
Total	\$ 95.317	\$ 120.339	\$ 145.132	\$ 70.524

The primary reasons for the changes in fund balance are as follows:

- The General Fund is the principle operating fund. The fund balance in the General Fund decreased \$1.672 million to \$18.212 million. The District utilized \$2.0 million in ending fund balance generated by the dissolution of the City of Calabasas Trust in the current fiscal year.
- The Building Fund maintains the funds generated from the voter-approved general obligation bonds. The fund balance decreased \$23.296 from the prior year. The District continued to invest the bond funds on the construction of performing arts centers at Agoura and Calabasas High Schools, technology, and the renovation of Lindero Canyon Middle School.
- The Deferred Maintenance Fund retains funds from the State Office of Public School Construction, which are then matched by the District each year. The Deferred Maintenance Fund is part of Tier III flexibility. Therefore, the State funding of this program is included in the unrestricted General Fund. The Deferred Maintenance Fund balance decreased \$0.237 million due to completion of projects during 2011-2012.
- The Capital Facilities Fund maintains the funds collected from developers and funds held in trust for our certificates of participation. The use of these funds is restricted by government code, and is used to accommodate growth needs at the school sites. The fund balance increased \$0.427 in 2011-2012.
- The County School Facilities Fund holds the funding from the State Allocation Board.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had \$230.399 million in a broad range of net capital assets, including land, buildings, and furniture and equipment (Table 5). This amount represents a net increase (including additions, deductions and depreciation) of \$22.669 million, or 10.9 percent from last year.

Table 5

(Amounts in millions)	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land and construction in process	\$ 56.691	\$ 29.847	\$ -	\$ -	\$ 56.691	\$ 29.847
Buildings and improvements	168.972	174.710	-	-	168.972	174.710
Furniture and equipment	4.725	3.154	0.011	0.019	4.736	3.173
Total	\$ 230.388	\$ 207.711	\$ 0.011	\$ 0.019	\$ 230.399	\$ 207.730

This year's major additions included (in millions):

Lindero Canyon Middle School - remodel phase 1	\$ 7.029
Agoura High School - performing arts centers	9.366
Calabasas High School - performing arts centers	10.449
	<u>\$ 26.844</u>

LAS VIRGENES UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

Long-Term Obligations

At the end of this year, the District had \$231.412 million in debt outstanding versus \$233.622 million last year, a decrease of 0.9 percent (Table 6). The decrease was primarily due to normal payments related to the general obligation bonds.

Table 6

(Amounts in millions)	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds						
(Financed with property taxes)	\$ 205.563	\$ 208.447	\$ -	\$ -	\$ 205.563	\$ 208.447
General obligation bonds - premium	7.634	8.101	-	-	7.634	8.101
Certificates of participation	11.985	12.240	-	-	11.985	12.240
Discount on COP issuance	(0.053)	(0.055)	-	-	(0.053)	(0.055)
Other postemployment benefits	5.074	3.563	-	-	5.074	3.563
Compensated absences	0.951	0.952	-	-	0.951	0.952
Supplement early retirement plan	0.258	0.374	-	-	0.258	0.374
Total	\$ 231.412	\$ 233.622	\$ -	\$ -	\$ 231.412	\$ 233.622

The District's general obligation bond rating is "Aa2". The State limits the amount of general obligation debt that Districts can issue to five percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$205.563 million is significantly below this statutorily - imposed limit.

Other obligations include compensated absences payable, postemployment benefits (not including health benefits) and other long-term obligations. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2011-2012 ARE NOTED BELOW:

The District has continued to aggressively pursue its capital facilities projects as well as maintaining and expanding its technology infrastructure. Utilizing Measure G funds, the District continued construction of performing arts and education centers at Agoura and Calabasas High Schools. The District also continued expansion and renovation of Lindero Canyon Middle School, opening the first phase of the project in January of 2012.

The continuing State fiscal crisis has had a dramatic impact on the District's ability to maintain its educational program. With the ongoing loss of \$16 million in State aid annually, the District's Finance Committee, working with District staff and stakeholder groups throughout the District, has grappled with budget cuts in virtually all areas of the educational and support programs. The District continues to work with its parent support groups, the T.H.E. Foundation and the four cities within the District, in support of its mission and vision in providing an exemplary educational program to all students.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the Adopted District Budget for the 2012-2013 year, the District Board and management used the following criteria:

1. Revenue limit income – negative adjustment of \$441/ADA.
2. Enrollment is estimated to growth/decline 1.89 percent.
3. Consideration of step and column for certificated staff.
4. Estimated parcel tax revenues of \$2.3 million.
5. Revenue enhancements/cuts/reductions of \$3.1 million, including salary reductions for all employees.

Salary expenditures are based on the following forecasts:

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Grades kindergarten through third	24:1	2,885
Grades four and five	30.5:1	1,583
Grades six through eight	30.5:1	2,579
Grades nine through twelve	30.5:1	<u>4,015</u>
Total Enrollment:		<u>11,062</u>

The budget is adjusted at first interim to reflect actual enrollment.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Karen Kimmel, Assistant Superintendent of Business Services, at Las Virgenes Unified School District, 4111 N. Las Virgenes Road, Calabasas, California, 91302, or by telephone at (818)878-5203.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS JUNE 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	\$ 70,111,113	\$ 454,046	\$ 70,565,159
Receivables	15,389,641	47,911	15,437,552
Stores inventories	244,315	34,830	279,145
Deferred costs on issuance	2,148,842	-	2,148,842
Capital assets			
Land and construction in progress	56,690,577	-	56,690,577
Other capital assets	240,788,557	440,674	241,229,231
Less: Accumulated depreciation	(67,091,496)	(430,069)	(67,521,565)
Capital assets, net of accumulated depreciation	230,387,638	10,605	230,398,243
Total Assets	318,281,549	547,392	318,828,941
LIABILITIES			
Accounts payable	13,546,599	98,096	13,644,695
Interest payable	2,666,664	-	2,666,664
Deferred revenue	1,674,983	-	1,674,983
Long-term obligations			
Current portion of long-term obligations	8,009,500	-	8,009,500
Noncurrent portion of long-term obligations	223,402,430	-	223,402,430
Total long-term obligations	231,411,930	-	231,411,930
Total Liabilities	249,300,176	98,096	249,398,272
NET ASSETS			
Invested in capital assets, net of related debt	36,009,529	10,605	36,020,134
Restricted for:			
Debt service	10,370,739	-	10,370,739
Capital projects	6,462,058	-	6,462,058
Educational programs	3,386,898	-	3,386,898
Other activities	-	438,691	438,691
Unrestricted	12,752,149	-	12,752,149
Total Net Assets	\$ 68,981,373	\$ 449,296	\$ 69,430,669

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

LAS VIRGENES UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities:				
Instruction:				
Regular education	\$ 50,013,106	\$ 248,162	\$ 4,615,210	\$ 6,768,420
Special education	18,673,206	-	7,858,267	-
Instruction-related activities:				
Supervision of instruction	2,100,760	22,293	151,438	-
Instructional library, media, and technology	1,726,040	38,488	39,578	-
School site administration	7,423,062	-	19,039	-
Pupil services:				
Home-to-school transportation	963,121	337,794	417,969	-
Special education transportation	1,252,350	-	164,190	-
All other pupil services	4,861,644	22,673	581,487	-
General administration:				
Data processing	89,065	-	-	-
All other general administration	4,276,247	61,719	170,548	-
Plant services	8,175,221	29,178	33,398	-
Facility acquisition and construction	568,782	-	-	-
Ancillary services	74,174	2,551	2,623	-
Interest on long-term obligations	11,830,095	-	-	-
Other outgo	308,057	582,451	672,624	-
Total Governmental Activities	112,334,930	1,345,309	14,726,371	6,768,420
Business-Type Activities:				
Food services	2,075,906	1,661,011	337,866	-
Total Business-Type Activities	2,075,906	1,661,011	337,866	-
Total School District	\$ 114,410,836	\$ 3,006,320	\$ 15,064,237	\$ 6,768,420

General revenues and subventions:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Taxes levied for other specific purposes

Federal and State aid not restricted to specific purposes

Interest and investment earnings

Miscellaneous

Subtotal, General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

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

Net (Expenses) Revenues and Changes in Net Assets		
Governmental Activities	Business- Type Activities	Total
\$ (38,381,314)	\$ -	\$ (38,381,314)
(10,814,939)	-	(10,814,939)
(1,927,029)	-	(1,927,029)
(1,647,974)	-	(1,647,974)
(7,404,023)	-	(7,404,023)
(207,358)	-	(207,358)
(1,088,160)	-	(1,088,160)
(4,257,484)	-	(4,257,484)
(89,065)	-	(89,065)
(4,043,980)	-	(4,043,980)
(8,112,645)	-	(8,112,645)
(568,782)	-	(568,782)
(69,000)	-	(69,000)
(11,830,095)	-	(11,830,095)
947,018	-	947,018
(89,494,830)	-	(89,494,830)
-	(77,029)	(77,029)
-	(77,029)	(77,029)
(89,494,830)	(77,029)	(89,571,859)
34,976,516	-	34,976,516
12,069,660	-	12,069,660
2,349,622	-	2,349,622
31,330,204	-	31,330,204
836,284	4,511	840,795
7,477,768	-	7,477,768
89,040,054	4,511	89,044,565
(454,776)	(72,518)	(527,294)
69,436,149	521,814	69,957,963
\$ 68,981,373	\$ 449,296	\$ 69,430,669

LAS VIRGENES UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2012

	General Fund	Building Fund	Bond Interest and Redemption Fund
ASSETS			
Deposits and investments	\$ 11,586,978	\$ 36,940,011	\$ 13,037,403
Receivables	15,296,322	66,563	-
Stores inventories	244,315	-	-
Total Assets	\$ 27,127,615	\$ 37,006,574	\$ 13,037,403
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	7,240,737	6,256,066	-
Deferred revenue	1,674,983	-	-
Total Liabilities	8,915,720	6,256,066	-
Fund Balances:			
Nonspendable	269,315	-	-
Restricted	3,386,898	30,750,508	13,037,403
Committed	521,932	-	-
Assigned	9,857,052	-	-
Unassigned	4,176,698	-	-
Total Fund Balances	18,211,895	30,750,508	13,037,403
Total Liabilities and Fund Balances	\$ 27,127,615	\$ 37,006,574	\$ 13,037,403

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 8,546,721	\$ 70,111,113
26,756	15,389,641
-	244,315
<u>\$ 8,573,477</u>	<u>\$ 85,745,069</u>
49,796	13,546,599
-	1,674,983
<u>49,796</u>	<u>15,221,582</u>
-	269,315
6,462,058	53,636,867
2,061,623	2,583,555
-	9,857,052
-	4,176,698
<u>8,523,681</u>	<u>70,523,487</u>
<u>\$ 8,573,477</u>	<u>\$ 85,745,069</u>

LAS VIRGENES UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2012

Total Fund Balance - Governmental Funds		\$	70,523,487
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:			
Capital assets used in governmental activities are not financial resources.			
The cost of capital assets is as follows:	\$	297,479,134	
Accumulated depreciation is as follows:		<u>(67,091,496)</u>	
Net Capital Assets			230,387,638
Expenditures relating to issuance of debt in the current fiscal year were recognized in the modified accrual basis, but they are not recognized in the accrual basis.			2,148,842
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.			(2,666,664)
Long-term obligations, including general obligation bonds, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.			
Long-term obligations at year-end consist of the following:			
General obligation bonds	(116,760,000)		
Unamortized premium on general obligation bonds	(7,633,502)		
Certificates of participation	(11,985,000)		
Unamortized discount on certificates of participation	53,254		
Other postemployment benefits (OPEB)	(5,074,122)		
Compensated absences	(950,691)		
Supplemental early retirement plan	(258,500)		
In addition, the District has issued "capital appreciation" general obligation bonds. The accretion of unmatured interest on the general obligation bonds to date is as follows:			
	<u>(88,803,369)</u>		(231,411,930)
Total Long-Term Obligations			
Total Net Assets - Governmental Activities		\$	<u><u>68,981,373</u></u>

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

LAS VIRGENES UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES JUNE 30, 2012

	General Fund	Building Fund	Bond Interest and Redemption Fund
REVENUES			
Revenue limit sources	\$ 57,537,567	\$ -	\$ -
Federal sources	3,451,264	-	1,872,218
Other State sources	17,991,641	-	68,190
Other local sources	11,111,546	464,049	12,098,722
Total Revenues	90,092,018	464,049	14,039,130
EXPENDITURES			
Current			
Instruction - regular education	42,531,665	-	-
Instruction - special education	18,673,206	-	-
Instruction-related activities:			
Supervision of instruction	2,067,479	-	-
Instructional library, media, and technology	1,705,353	-	-
School site administration	7,287,956	-	-
Pupil services:			
Home-to-school transportation	962,549	-	-
Special education transportation	1,252,350	-	-
All other pupil services	4,788,342	-	-
General administration:			
Data processing	89,065	-	-
All other general administration	3,841,697	-	-
Plant services	7,352,196	-	-
Facility acquisition and construction	18,610	30,058,955	-
Ancillary services	74,019	-	-
Other outgo	308,057	-	-
Debt service			
Principal	-	-	7,890,000
Interest and other	-	-	6,183,435
Total Expenditures	90,952,544	30,058,955	14,073,435
Excess (Deficiency) of Revenues Over Expenditures	(860,526)	(29,594,906)	(34,305)
Other Financing Sources (Uses)			
Transfers in	450,000	6,748,229	-
Transfers out	(1,262,006)	(450,000)	-
Net Financing Sources (Uses)	(812,006)	6,298,229	-
NET CHANGE IN FUND BALANCES	(1,672,532)	(23,296,677)	(34,305)
Fund Balance - Beginning	19,884,427	54,047,185	13,071,708
Fund Balance - Ending	\$ 18,211,895	\$ 30,750,508	\$ 13,037,403

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

Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 57,537,567
-	5,323,482
6,747,676	24,807,507
537,281	24,211,598
<u>7,284,957</u>	<u>111,880,154</u>
-	42,531,665
-	18,673,206
-	2,067,479
-	1,705,353
-	7,287,956
-	962,549
-	1,252,350
-	4,788,342
-	89,065
13,323	3,855,020
705,149	8,057,345
58,045	30,135,610
-	74,019
-	308,057
255,000	8,145,000
557,006	6,740,441
<u>1,588,523</u>	<u>136,673,457</u>
<u>5,696,434</u>	<u>(24,793,303)</u>
1,262,006	8,460,235
<u>(6,748,229)</u>	<u>(8,460,235)</u>
<u>(5,486,223)</u>	<u>-</u>
210,211	(24,793,303)
8,313,470	95,316,790
<u>\$ 8,523,681</u>	<u>\$ 70,523,487</u>

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 YEAR ENDED JUNE 30, 2012

Total Net Change in Fund Balances - Governmental Funds **\$ (24,793,303)**
**Amounts Reported for Governmental Activities in the Statement
of Activities are Different Because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which capital outlays exceed depreciation in the period.

Capital outlays	\$ 29,568,255	
Depreciation expense	<u>(6,891,263)</u>	
Net Expense Adjustment		22,676,992

Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. However, the difference between the annual required contribution and the actual contribution made, if less, is recorded in the government-wide statements as an expense. The actual amount of the contribution was less than the annual required contribution. (1,510,895)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (supplemental early retirement plan) 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). This year, special termination benefits paid were more than the amount added by \$115,500. Vacation used was more than the amounts earned by \$1,584. 117,084

Repayment of bond principal and certificates of participation is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities:

General obligation bonds	7,890,000	
Certificates of participation	<u>255,000</u>	
Combined Adjustment		8,145,000

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

LAS VIRGENES UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued FOR THE YEAR ENDED JUNE 30, 2012

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:

Amortization of debt premium	\$ 467,638	
Amortization of debt discount	(2,048)	
Amortization of cost of issuance	<u>(263,039)</u>	
Combined Adjustment		\$ 202,551

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds and the certificates of participation increased by \$286,070 and second, \$5,006,135 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

	(5,292,205)
Change in Net Assets of Governmental Activities	<u>\$ (454,776)</u>

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

LAS VIRGENES UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF NET ASSETS JUNE 30, 2012

	Business-Type Activities Enterprise Fund Food Service
ASSETS	
Current Assets	
Deposits and investments	\$ 454,046
Receivables	47,911
Stores inventories	34,830
Total Current Assets	<u>536,787</u>
Noncurrent Assets	
Capital assets	440,674
Less: accumulated depreciation	<u>(430,069)</u>
Total Noncurrent Assets	<u>10,605</u>
Total Assets	<u>547,392</u>
LIABILITIES	
Current Liabilities	
Accounts payable	<u>98,096</u>
NET ASSETS	
Invested in capital assets, net of related debt	10,605
Restricted	<u>438,691</u>
Total Net Assets	<u>\$ 449,296</u>

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

LAS VIRGENES UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES

IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

	Business-Type Activities Enterprise Fund Food Service
OPERATING REVENUES	
Charges for services	\$ 1,661,011
OPERATING EXPENSES	
Payroll costs	1,097,624
Professional and contract services	29,863
Supplies and materials	856,422
Facility rental	20,370
Other operating costs	63,354
Depreciation	8,273
Total Operating Expenses	2,075,906
Operating Loss	(414,895)
NONOPERATING REVENUES	
Interest income	4,511
Federal grants	319,914
Other grants	17,952
Total Nonoperating Revenues	342,377
Change in Net Assets	(72,518)
Total Net Assets - Beginning	521,814
Total Net Assets - Ending	\$ 449,296

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

LAS VIRGENES UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2012

	Business-Type Activities Enterprise Funds Food Services
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 1,665,385
Cash payments to employees for services	(1,097,624)
Cash payments to suppliers for goods and services	(855,350)
Cash payments for facility use	(20,370)
Cash payments for administrative expense	(29,863)
Other operating cash payments	(63,354)
Net Cash Used in Operating Activities	(401,176)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Nonoperating grants received	337,866
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	4,511
Net Decrease in Cash and Cash Equivalents	(58,799)
Cash and Cash Equivalents - Beginning	512,845
Cash and Cash Equivalents - Ending	\$ 454,046
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	\$ (414,895)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	8,273
Changes in assets and liabilities:	
Receivables	4,374
Stores inventories	8,082
Accrued liabilities	(7,010)
NET CASH USED IN OPERATING ACTIVITIES	\$ (401,176)
NONCASH, NONCAPITAL FINANCING ACTIVITIES	
During the year, the District received \$60,915 of food commodities from the U.S. Department of Agriculture.	

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

LAS VIRGENES UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS STATEMENT OF NET ASSETS JUNE 30, 2012

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 1,440,655
Stores inventories	<u>20,677</u>
Total Assets	<u><u>\$ 1,461,332</u></u>
LIABILITIES	
Due to student groups	<u>\$ 1,461,332</u>
Total Liabilities	<u><u>\$ 1,461,332</u></u>

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

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Las Virgenes Unified School District (the District) was unified in 1962 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates one preschool, nine elementary schools, three middle schools, two high schools, one continuation high school, an alternative education program, and a special education facility for preschool.

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

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a District (*Education Code* Sections 15125-15262).

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

Capital Project Funds The Capital Project funds are used to account for and report financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund The Capital Facilities Fund are used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

Enterprise Fund Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The only enterprise fund of the District accounts for the financial transactions related to the food service activities of the District.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the district's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide financial statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each governmental program, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

Proprietary Funds Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net assets. The statement of changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 90 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2012, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the proprietary and fiduciary type funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide financial statement of net assets. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

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

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements/infrastructure, 10 to 50 years; equipment, 5 to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net assets. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

Deferred Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Fund Balances - Governmental Funds

As of June 30, 2012, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

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.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements report \$20,658,386 of restricted net assets subject to enabling legislation.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Interfund Activity

Transfers between governmental and business-type activities in the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental and business-type activities columns of the statement of activities, except for the net residual amounts transferred between governmental and business-type activities.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

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

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

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Los Angeles bills and collects the taxes on behalf of most of the District. A small area of the District is located in Ventura County. The County of Ventura bills and collects the taxes on behalf of the District in that area. Local property tax revenues are recorded when received.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

New Accounting Pronouncements

In November 2010, the GASB issued 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 GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB 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. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*—an amendment of Statement No. 27. 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 inter-period equity, and creating additional transparency.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

Statement No. 67, *Financial Reporting for Pension Plans*, revises existing standards of financial reporting for most pension plans. This Statement and Statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement - determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of State and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.

Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

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.

This Statement is effective for fiscal years beginning after June 15, 2014. Earlier implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2012, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 70,111,113
Business-type activities	454,046
Fiduciary funds	1,440,655
Total Deposits and Investments	<u>\$ 72,005,814</u>

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Deposits and investments as of June 30, 2012, consist of the following:

Cash on hand and in banks	\$ 3,000,604
Cash in revolving	28,886
Investments	<u>68,976,324</u>
Total Deposits and Investments	<u>\$ 72,005,814</u>

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing primarily in the county pool to provide the cash flow and liquidity needed for operations.

The District maintains an investment of \$68,976,324 with the Los Angeles County Investment Pool with a fair value of approximately \$69,187,749. This investment has an average weighted maturity of 617 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the Los Angeles County Investment Pool is not required to be rated, nor has been rated as of June 30, 2012.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. 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, 2012, the District's bank balance of \$643,037 was exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2012, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Business-Type Activities Enterprise
Federal Government					
Categorical aid	\$ 796,390	\$ -	\$ -	\$ 796,390	\$ 46,768
State Government					
Apportionment	8,961,766	-	-	8,961,766	-
Categorical aid	1,831,013	-	-	1,831,013	-
Lottery	2,840,610	-	-	2,840,610	-
Due from SELPA	111,963	-	-	111,963	-
Local Government					
Interest	38,609	66,563	26,756	131,928	1,143
Other Local Sources	715,971	-	-	715,971	-
Total	<u>\$ 15,296,322</u>	<u>\$ 66,563</u>	<u>\$ 26,756</u>	<u>\$ 15,389,641</u>	<u>\$ 47,911</u>

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 14,853,507	\$ -	\$ -	\$ 14,853,507
Construction in process	14,993,724	27,113,507	270,161	41,837,070
Total Capital Assets Not Being Depreciated	29,847,231	27,113,507	270,161	56,690,577
Capital Assets Being Depreciated				
Land improvements	16,171,446	-	-	16,171,446
Infrastructure	90,000	-	-	90,000
Buildings and improvements	212,746,751	270,161	-	213,016,912
Furniture and equipment	9,055,451	2,454,748	-	11,510,199
Total Capital Assets Being Depreciated	238,063,648	2,724,909	-	240,788,557
Less Accumulated Depreciation				
Land improvements	8,576,239	5,116,139	-	13,692,378
Infrastructure	88,250	1,750	-	90,000
Buildings and improvements	45,634,335	889,582	-	46,523,917
Furniture and equipment	5,901,409	883,792	-	6,785,201
Depreciation	60,200,233	6,891,263	-	67,091,496
Governmental Activities Capital Assets, Net	<u>\$ 207,710,646</u>	<u>\$ 22,947,153</u>	<u>\$ 270,161</u>	<u>\$ 230,387,638</u>
Business-Type Activities				
Capital Assets Being Depreciated				
Furniture and equipment	\$ 440,674	\$ -	\$ -	\$ 440,674
Less Accumulated Depreciation				
Furniture and equipment	421,796	8,273	-	430,069
Business-Type Activities Capital Assets, Net	<u>\$ 18,878</u>	<u>\$ (8,273)</u>	<u>\$ -</u>	<u>\$ 10,605</u>

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

Governmental Activities

Instruction	\$ 6,477,787
All other general administration	379,019
Plant services	34,457
Total Depreciation Expenses Governmental Activities	<u>6,891,263</u>

Business-Type Activities

Food services	8,273
Total Depreciation Expenses All Activities	<u>\$ 6,899,536</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2012, consisted of the following:

Transfer To	Transfer From			Total
	General Fund	Building Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 450,000	\$ -	\$ 450,000
Building Fund	-	-	6,748,229	6,748,229
Non-Major Governmental Funds	1,262,006	-	-	1,262,006
Total	<u>\$ 1,262,006</u>	<u>\$ 450,000</u>	<u>\$ 6,748,229</u>	<u>\$ 8,460,235</u>

The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund for the required District match.

\$ 450,000

The General Fund transferred to the Capital Facilities Non-Major Governmental Fund for debt service payments.

812,006

The Building Fund transferred to the General Fund for the Deferred Maintenance match.

450,000

The County School Facilities Non-Major Governmental Fund transferred to the Building Fund for reimbursement of construction costs.

6,748,229

Total

\$ 8,460,235

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2012, consisted of the following:

	General	Building	Non-Major	Total	Business-Type
	Fund	Fund	Governmental	Governmental	Activities
	Fund	Fund	Funds	Activities	Enterprise
	Fund	Fund	Funds	Activities	Fund
Salaries and benefits	\$ 2,579,045	\$ 1,149	\$ 990	\$ 2,581,184	\$ 33,084
State apportionment	3,009,983	-	-	3,009,983	-
Materials and supplies	220,823	29,981	8,101	258,905	321
Services	819,619	152,210	240	972,069	285
Construction	118,648	6,072,691	40,354	6,231,693	-
Vendor payables	492,619	35	111	492,765	64,406
Total	<u>\$ 7,240,737</u>	<u>\$ 6,256,066</u>	<u>\$ 49,796</u>	<u>\$ 13,546,599</u>	<u>\$ 98,096</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2012, consisted of the following:

	Governmental
	Activities
	General Fund
Federal financial assistance	\$ 53,252
State categorical aid	29,409
Other local	1,592,322
Total	<u>\$ 1,674,983</u>

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

On July 1, 2011, the District issued \$4,945,000 of Tax and Revenue Anticipation Notes bearing interest at 0.35 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on June 1, 2012. By May 2012, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes. As the District has in substance defeased the debt, the tax anticipation notes of \$4,945,000 and related accrued interest and cash held in trust are not included in these financial statements.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Due in One Year
General obligation bonds	\$ 208,447,234	\$ 5,006,135	\$ 7,890,000	\$ 205,563,369	\$ 7,640,000
Premium on bond issuance	8,101,140	-	467,638	7,633,502	-
Certificates of participation (COP)	12,240,000	-	255,000	11,985,000	265,000
Discount on COP issuance	(55,302)	-	(2,048)	(53,254)	-
Compensated absences - net	952,275	-	1,584	950,691	-
Other postemployment benefits (OPEB)	3,563,227	1,692,816	181,921	5,074,122	-
Supplemental early retirement plan (SERP)	374,000	-	115,500	258,500	104,500
	<u>\$ 233,622,574</u>	<u>\$ 6,698,951</u>	<u>\$ 8,909,595</u>	<u>\$ 231,411,930</u>	<u>\$ 8,009,500</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments for the certificates of participation are made by the Capital Facilities Fund with developer fee revenue. The compensated absences will be paid by the fund for which the employee worked. Other postemployment benefits and supplemental early retirement plan payments are made by the General Fund.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2011	Additions/ Accreted Interest	Redeemed	Bonds Outstanding June 30, 2012
Current Interest							
8/1/1999	11/1/2011	4.00-5.50%	\$ 20,640,000	\$ 2,075,000	\$ -	\$ 2,075,000	\$ -
9/27/2002	9/1/2015	2.00-5.00%	10,990,000	2,390,000	-	1,095,000	1,295,000
8/4/2004	11/1/2019	1.50-5.00%	13,585,000	11,405,000	-	605,000	10,800,000
11/9/2006	8/1/2031	4.00-5.50%	44,235,000	38,010,000	-	2,660,000	35,350,000
12/9/2009	8/1/2034	3.00-7.26%	39,340,000	39,340,000	-	-	39,340,000
5/5/2011	8/1/2025	5.00-5.54%	25,000,000	25,000,000	-	-	25,000,000
5/5/2011	8/1/2015	2.00-3.00%	5,385,000	5,385,000	-	70,000	5,315,000
Capital Appreciation							
2/1/1998	11/1/2022	3.65-5.20%	9,039,130	17,561,585	907,255	-	18,468,840
8/1/1999	11/1/2023	3.35-5.68%	9,374,387	14,805,605	833,277	900,000	14,738,882
3/21/2001	11/1/2023	4.05-5.44%	4,982,813	8,025,915	508,637	485,000	8,049,552
9/27/2002	9/1/2027	4.47-5.20%	21,637,309	32,926,806	1,694,307	-	34,621,113
8/4/2004	11/1/2021	5.15-5.18%	886,501	1,889,876	224,583	-	2,114,459
11/9/2006	8/1/2017	8.80%	331,153	474,204	42,648	-	516,852
12/9/2009	8/1/2027	11.99%	3,656,222	4,159,969	513,777	-	4,673,746
5/5/2011	8/1/2033	6.75-12.00%	4,998,274	4,998,274	281,651	-	5,279,925
				<u>\$ 208,447,234</u>	<u>\$ 5,006,135</u>	<u>\$ 7,890,000</u>	<u>\$ 205,563,369</u>

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

The bonds mature as follows:

Year Ending June 30,	Current Interest Bonds		Capital Appreciation Bonds			Total
	Principal	Interest	Principal	Interest	Future Interest Accretion	
2013	\$ 3,895,000	\$ 6,407,631	\$ 3,649,350	\$ -	\$ 95,650	\$ 14,047,631
2014	4,395,000	6,247,654	3,627,178	-	297,822	14,567,654
2015	5,145,000	6,057,923	3,594,750	-	515,250	15,312,923
2016	5,910,000	5,833,355	3,559,215	-	745,785	16,048,355
2017	4,440,000	5,616,094	5,437,761	-	1,412,239	16,906,094
2018-2022	20,320,000	25,029,895	32,668,380	-	20,876,615	98,894,890
2023-2027	18,750,000	20,510,564	24,616,401	271,688	29,773,604	93,922,257
2028-2032	28,525,000	17,058,729	9,041,859	2,645,663	17,208,141	74,479,392
2033-2035	25,720,000	3,324,200	2,268,475	411,412	3,671,524	35,395,611
Total	<u>\$ 117,100,000</u>	<u>\$ 96,086,045</u>	<u>\$ 88,463,369</u>	<u>\$ 3,328,763</u>	<u>\$ 74,596,630</u>	<u>\$ 379,574,807</u>

General Obligation Bonds - Premium on Issuance

On August 4, 2004, the District issued general obligation bonds at a premium of \$1,295,415. The unamortized balance remaining on the premium is \$719,671.

On November 9, 2006, the District issued general obligation bonds at a premium of \$2,067,500. The unamortized balance remaining on the premium is \$1,571,300.

On December 9, 2009, the District issued general obligation bonds at a premium of \$4,142,999. The unamortized balance remaining on the premium is \$3,645,840.

On May 5, 2011, the District issued general obligation bonds at a premium of \$1,563,815. The unamortized balance remaining on the premium is \$1,480,885.

On May 5, 2011, the District issued refunding obligation bonds at a premium of \$304,668. The unamortized balance remaining on the premium is \$215,806.

The general obligation bonds premium on issuance is amortized as interest expense over the life of each bond issue.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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. The balance of the 2008 Refunding Certificates of Deposit outstanding at June 30, 2012, was \$11,985,000.

Year Ending June 30,	Principal	Interest	Total
2013	\$ 265,000	\$ 549,356	\$ 814,356
2014	275,000	540,744	815,744
2015	280,000	531,806	811,806
2016	290,000	522,006	812,006
2017	300,000	511,132	811,132
2018-2022	1,705,000	2,363,970	4,068,970
2023-2027	2,105,000	1,965,254	4,070,254
2028-2032	2,640,000	1,426,336	4,066,336
2033-2037	3,350,000	713,000	4,063,000
2038	775,000	38,750	813,750
Total	<u>\$ 11,985,000</u>	<u>\$ 9,162,354</u>	<u>\$ 21,147,354</u>

The certificates of participation were issued at a discount which will be amortized over the repayment period. The remaining unamortized discount at June 30, 2012, is \$53,254.

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2012, amounted to \$950,691.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2012, was \$1,740,862, and contributions made by the District during the year were \$181,921. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$178,161 and \$(226,207), respectively, which resulted in an increase to the net OPEB obligation of \$1,510,895. As of June 30, 2012, the net OPEB obligation was \$5,074,122. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Supplemental Early Retirement Plan

The District has adopted supplemental early retirement plans 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 have retired and elected to receive this annuity for the 2010-2011 fiscal year. The outstanding liability at June 30, 2012, amounted to \$258,500.

The supplemental early retirement plan has the following future minimum payments:

Year Ending June 30,	Total Payments
2013	\$ 104,500
2014	77,000
2015	38,500
2016	22,000
2017	16,500
Total	<u>\$ 258,500</u>

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 25,000	\$ -	\$ -	\$ -	\$ 25,000
Stores inventories	244,315	-	-	-	244,315
Total Nonspendable	269,315	-	-	-	269,315
Restricted					
Legally restricted programs	3,386,898	-	-	-	3,386,898
Capital projects	-	30,750,508	-	6,462,058	37,212,566
Debt services	-	-	13,037,403	-	13,037,403
Total Restricted	3,386,898	30,750,508	13,037,403	6,462,058	53,636,867
Committed					
Adult education program	-	-	-	25	25
Deferred maintenance program	-	-	-	2,061,598	2,061,598
School site carryover	521,932	-	-	-	521,932
Total Committed	521,932	-	-	2,061,623	2,583,555
Assigned					
Revenue limit principal apportionment	8,782,625	-	-	-	8,782,625
K-3 class size reduction deferral	1,074,427	-	-	-	1,074,427
Total Assigned	9,857,052	-	-	-	9,857,052
Unassigned					
Reserve for economic uncertainties	2,711,429	-	-	-	2,711,429
Remaining unassigned	1,465,269	-	-	-	1,465,269
Total Unassigned	4,176,698	-	-	-	4,176,698
Total	\$ 18,211,895	\$ 30,750,508	\$ 13,037,403	\$ 8,523,681	\$ 70,523,487

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 11 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2012, the following District major fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund	<u>\$ 91,385,744</u>	<u>\$ 92,214,550</u>	<u>\$ 828,806</u>

Actual expenditures include on behalf payments of \$1,833,594.

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

Las Virgenes Unified School District provides medical eligible retirees and their covered eligible dependents the ability to purchase group medical benefits through the District's carrier, CalPERS. The District's contract with CalPERS requires that the District pay a portion of the cost of medical benefits for eligible retirees, spouses and dependents. All active employees who retire directly from the District and meet the eligibility criteria may participate. Currently the District has 179 retirees and beneficiaries receiving benefits, and 828 active employees purchasing medical benefits through the District's CalPERS plan.

Contribution Information

The contribution requirements of the District are established by contract with CalPERS. The District's monthly contribution per retiree is based on the Public Employees' Medical and Hospital Care Act (PEMHCA) minimum health premium contribution for contracting agencies. The employer contribution is adjusted annually by the CalPERS Board to reflect any changes in the medical care component of the Consumer Price Index. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits. For fiscal year 2011-2012, the District contributed \$181,921 towards retirees' medical benefit premiums.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 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 accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 1,740,862
Interest on net OPEB obligation	178,161
Adjustment to annual required contribution	(226,207)
Annual OPEB cost (expense)	1,692,816
Contributions made	(181,921)
Increase in net OPEB obligation	1,510,895
Net OPEB obligation, beginning of year	3,563,227
Net OPEB obligation, end of year	<u>\$ 5,074,122</u>

Trend Information

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation was as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
2010	\$ 1,346,130	\$ 142,809	11%	\$ 2,411,145
2011	1,327,619	175,537	13%	3,563,227
2012	1,692,816	181,921	11%	5,074,122

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follow:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2011	\$ -	\$ 13,985,477	\$ 13,985,477	0%	\$ 57,447,025	24%

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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 the 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 designed 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.

In the July 1, 2011, actuarial valuation, the unit credit method was used. Healthcare cost trend rates ranged from an initial eleven percent to an ultimate rate of five percent. The UAAL is being amortized at a closed level dollar method. The remaining amortization period at July 1, 2011, was 26 years.

NOTE 13 - 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 16 for additional information regarding the JPAs. During fiscal year ending June 30, 2012, 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 14 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to CalSTRS; a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, 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 CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-2012 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2012, 2011, and 2010, were \$3,485,833, \$3,483,696, and \$3,544,975, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under 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 survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011-2012 was 10.923 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$1,664,381, \$1,604,694, and \$1,489,361, respectively, and equal 100 percent of the required contributions for each year.

Tax Deferred Annuity/Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security as its alternative plan. District and employee contributions are determined by statute.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$1,833,594 (4.855 percent of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have not been included in the budget amounts reported in the General Fund Budgetary Schedule. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts in the *General Fund - Budgetary Comparison Schedule*.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2012.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2012.

Construction Commitments

As of June 30, 2012, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitments	Expected Date of Completion
Lindero Canyon Middle School - Remodel Phase 2	\$ 2,201,303	12/1/2012
Agoura High School - Performing Arts Center	6,470,657	1/30/2013
Calabasas High School - Performing Arts Center	6,104,731	1/30/2013
	<u>\$ 14,776,691</u>	

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWER AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the Alliance of Schools for Cooperative Insurance Programs (ASCIP) and Schools Linked for Insurance Management (SLIM) public entity risk pools. The District pays an annual premium to each risk pool for its property/liability and workers' compensation programs. The relationships between the District, the pools and the JPAs are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

During the year ended June 30, 2012, the District made payments of \$568,888 and \$1,498,793 to ASCIP and SLIM, respectively, for services received.

NOTE 17 - SUBSEQUENT EVENTS

The District issued \$1,980,000 of Tax and Revenue Anticipation Notes dated July 1, 2012. The notes mature on June 3, 2013, and yield 0.48 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the fiscal agent each month beginning January 2013, until 100 percent of principal and interest due is on account in April 2013.

NOTE 18 - FISCAL ISSUES RELATING TO BUDGET REDUCTIONS

The State of California continues to suffer the effects of a recessionary economy. California school districts are reliant on the State of California to appropriate the funding necessary to continue the level of educational services expected by the State constituency. With the implementation of education trailer bill Senate Bill 70 (Chapter 7, Statutes of 2011), 39 percent of current year appropriations have now been deferred to a subsequent period, creating significant cash flow management issues for districts in addition to requiring substantial budget reductions, ultimately impacting the ability of California school districts to meet their goals for educational services.

REQUIRED SUPPLEMENTARY INFORMATION

LAS VIRGENES UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variances -
	Original	Final	(GAAP Basis)	Positive (Negative) Final to Actual
REVENUES				
Revenue limit sources	\$ 53,965,909	\$ 57,499,208	\$ 57,537,567	\$ 38,359
Federal sources	3,406,607	3,615,284	3,451,264	(164,020)
Other State sources ¹	15,378,582	16,119,261	17,991,641	1,872,380
Other local sources	11,729,890	10,243,294	11,111,546	868,252
Total Revenues	84,480,988	87,477,047	90,092,018	2,614,971
EXPENDITURES				
Current				
Certificated salaries	41,313,874	43,515,769	43,550,910	(35,141)
Classified salaries	14,995,692	15,798,120	15,960,050	(161,930)
Employee benefits ¹	16,708,648	17,545,064	19,062,736	(1,517,672)
Books and supplies	2,676,063	3,536,166	2,361,882	1,174,284
Services and operating expenditures	12,424,305	10,117,520	9,577,498	540,022
Capital outlay	60,000	185,105	194,764	(9,659)
Other outgo	238,000	238,000	244,704	(6,704)
Total Expenditures	88,416,582	90,935,744	90,952,544	(16,800)
Excess (Deficiency) of Revenues				
Over Expenditures	(3,935,594)	(3,458,697)	(860,526)	2,598,171
Other Financing Sources (Uses)				
Transfers in	450,000	450,000	450,000	-
Transfers out	(450,000)	(450,000)	(1,262,006)	(812,006)
Net Financing				
Sources (Uses)	-	-	(812,006)	(812,006)
NET CHANGE IN FUND BALANCES	(3,935,594)	(3,458,697)	(1,672,532)	1,786,165
Fund Balance - Beginning	19,884,427	19,884,427	19,884,427	-
Fund Balance - Ending	\$ 15,948,833	\$ 16,425,730	\$ 18,211,895	\$ 1,786,165

¹ On behalf payments of \$1,833,594, as described in Note 14, are included in the other State sources of revenues and employee benefits expenditures, but have not been included in the budgeted amounts, as they are not required to be budgeted.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2008	\$ -	\$ 9,590,444	\$ 9,590,444	0%	\$ 57,182,495	17%
July 1, 2011	-	13,985,477	13,985,477	0%	57,447,025	24%

SUPPLEMENTARY INFORMATION

LAS VIRGENES UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Elementary and Secondary Education Act as amended by the No Child Left Behind Act (NCLB):			
English Language Acquisition Grants:			
Title III, Limited English Proficiency	84.365	10084	\$ 12,058
Title III, Immigrant Education	84.365	14346	64,488
Total English Language Acquisition Grants			<u>76,546</u>
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14329	824,050
Title II, Part A - Improving Teacher Quality	84.367	14341	199,507
Carl Perkins Vocational and Technical Education Act			
Career and Technical Education - Basic Grants to States	84.048	13924	33,367
ARRA - State Fiscal Stabilization Funds	84.394	24997, 25008	520,338
Passed through Ventura County Office of Education SELPA:			
Individuals with Disabilities Education Act			
Special Education (IDEA) Cluster:			
Local Assistance Entitlement	84.027	13379	1,871,960
Preschool Local Entitlement	84.027A	13682	161,412
Total Special Education (IDEA) Cluster			<u>2,033,372</u>
Passed through California Department of Rehabilitation:			
Workability II, Transition Partnership	84.158	10006	131,796
Total U.S. Department of Education			<u>3,818,976</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medi-Cal Administrative Activities	93.778	10060	<u>152,626</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
Basic Breakfast Program	10.553	13390	21,891
National School Lunch Program	10.555	13396	237,108
Commodities	10.555	13396	60,915
Total Child Nutrition Cluster			<u>319,914</u>
Total U.S. Department of Agriculture			<u>319,914</u>
Total Expenditures of Federal Awards			<u>\$ 4,291,516</u>

See accompanying note to supplementary information.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2012

ORGANIZATION

The Las Virgenes Unified School District was established on July 1, 1962 and consists of an area comprising approximately 89 square miles. The District operates one preschool, nine elementary schools, three middle schools, two high schools, one continuation high school, an alternative education program, and a special education facility for preschool. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mrs. Cindy Iser	President	2015
Mrs. Lesli Stein	Vice President	2013
Mr. David Moorman	Clerk	2013
Mrs. Jill Gaines	Member	2015
Mr. Gordon Whitehead	Member	2013

ADMINISTRATION

Dr. Donald Zimring	Superintendent
Dr. Dan Stepenosky	Deputy Superintendent
Ms. Mary Schillinger	Assistant Superintendent, Education
Ms. Karen Kimmel	Assistant Superintendent, Business
Ms. Rose Dunn	Director of Instruction
Mr. Philip Scrivano	Chief Instructional Technology Officer

See accompanying note to supplementary information.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2012

		Final Report	
		Second Period	Annual
		Report	Report
ELEMENTARY			
Kindergarten		726	729
First through third		2,119	2,124
Fourth through sixth		2,312	2,313
Seventh and eighth		1,700	1,696
Home and hospital		3	3
Special education		194	201
Total Elementary		7,054	7,066
SECONDARY			
Regular classes		3,715	3,702
Continuation education		42	45
Home and hospital		1	1
Special education		144	147
Total Secondary		3,902	3,895
Total K-12		10,956	10,961

See accompanying note to supplementary information.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2012

Grade Level	1982-83	Reduced	1986-87	Reduced	2011-12	Number of Days		Status
	Actual	1982-83	Minutes	1986-87	Actual	Traditional	Multitrack	
	Minutes	Actual	Requirement	Minutes	Minutes	Calendar	Calendar	
Kindergarten	31,860	29,736	36,000	33,600	36,424	180	-	Complied
Grades 1 - 3	49,470	46,172	50,400	47,040				
Grade 1					50,828	180	-	Complied
Grade 2					50,828	180	-	Complied
Grade 3					50,828	180	-	Complied
Grades 4 - 6	49,470	46,172	54,000	50,400				
Grade 4					54,510	180	-	Complied
Grade 5					54,510	180	-	Complied
Grade 6					58,290	180	-	Complied
Grades 7 - 8	55,240	51,557	54,000	50,400				
Grade 7					58,290	180	-	Complied
Grade 8					58,290	180	-	Complied
Grades 9 - 12	56,645	52,869	64,800	60,480				
Grade 9					67,255	180	-	Complied
Grade 10					67,255	180	-	Complied
Grade 11					67,255	180	-	Complied
Grade 12					67,255	180	-	Complied

See accompanying note to supplementary information.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2012.

See accompanying note to supplementary information.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

	(Budget) 2013 ¹	2012	2011	2010
GENERAL FUND				
Revenues and other sources	\$ 81,333,650	\$ 90,542,018	\$ 98,981,235	\$ 89,248,141
Expenditures and other uses	86,574,889	92,214,550	90,931,225	91,317,004
INCREASE (DECREASE) IN FUND BALANCE	\$ (5,241,239)	\$ (1,672,532)	\$ 8,050,010	\$ (2,068,863)
ENDING FUND BALANCE	\$ 12,970,656	\$ 18,211,895	\$ 19,884,427	\$ 11,834,417
AVAILABLE RESERVES ²	\$ 4,081,694	\$ 4,176,698	\$ 3,607,604	\$ 5,109,501
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	4.71%	4.62%	4.05%	5.71%
LONG-TERM OBLIGATIONS				
General obligation bonds	\$ -	\$ 205,563,369	\$ 208,447,234	\$ 180,924,104
Certificates of participation	-	11,985,000	12,240,000	12,490,000
Other postemployment benefits	-	5,074,122	3,563,227	2,411,145
Other	-	8,789,439	9,372,113	7,830,293
	N/A	\$ 231,411,930	\$ 233,622,574	\$ 203,655,542
K-12 AVERAGE DAILY ATTENDANCE AT P-2	10,675	10,956	10,972	11,194

The General Fund balance has increased by \$6,377,478 over the past two years. The fiscal year 2012-2013 budget projects a decrease of \$5,241,239 (29 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2012-2013 fiscal year. Total long-term obligations have increased by \$27,756,388 over the past two years.

Average daily attendance has decreased by 238 over the past two years. An additional decline of 281 ADA is anticipated during fiscal year 2012-2013.

¹ Budget 2013 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

³ On behalf payments of \$1,833,594, \$1,800,467, and \$1,833,594, has been excluded from the calculation of available reserves for the fiscal years ending June 30, 2012, 2011, and 2010.

See accompanying note to supplementary information.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET JUNE 30, 2012

	Adult Education Fund	Deferred Maintenance Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	\$ 25	\$ 2,067,392	\$ 6,370,276
Receivables	-	3,297	10,499
Total Assets	<u>\$ 25</u>	<u>\$ 2,070,689</u>	<u>\$ 6,380,775</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 9,091	\$ 40,705
Fund Balances:			
Restricted	-	-	6,340,070
Committed	25	2,061,598	-
Total Fund Balances	<u>25</u>	<u>2,061,598</u>	<u>6,340,070</u>
Total Liabilities and Fund Balances	<u>\$ 25</u>	<u>\$ 2,070,689</u>	<u>\$ 6,380,775</u>

See accompanying note to supplementary information.

County School Facilities Fund	Non-Major Governmental Funds
\$ 109,028	\$ 8,546,721
12,960	26,756
<u>\$ 121,988</u>	<u>\$ 8,573,477</u>

<u>\$ -</u>	<u>\$ 49,796</u>
121,988	6,462,058
-	2,061,623
<u>121,988</u>	<u>8,523,681</u>
<u>\$ 121,988</u>	<u>\$ 8,573,477</u>

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2012

	Adult Education Fund	Deferred Maintenance Fund	Capital Facilities Fund
REVENUES			
Other State sources	\$ -	\$ -	\$ -
Other local sources	-	17,971	498,566
Total Revenues	-	17,971	498,566
EXPENDITURES			
General administration:			
All other general administration	-	-	13,323
Plant services	-	705,149	-
Facility acquisition and construction	-	-	58,045
Debt service			
Principal	-	-	255,000
Interest and other	-	-	557,006
Total Expenditures	-	705,149	883,374
Excess of Revenues Over (Under) Expenditures	-	(687,178)	(384,808)
Other Financing Sources (Uses)			
Transfers in	-	450,000	812,006
Transfers out	-	-	-
Net Financing Sources (Uses)	-	450,000	812,006
NET CHANGE IN FUND BALANCES	-	(237,178)	427,198
Fund Balances - Beginning	25	2,298,776	5,912,872
Fund Balances - Ending	\$ 25	\$ 2,061,598	\$ 6,340,070

See accompanying note to supplementary information.

County School Facilities Fund	Non-Major Governmental Funds
\$ 6,747,676	\$ 6,747,676
20,744	537,281
<u>6,768,420</u>	<u>7,284,957</u>
-	13,323
-	705,149
-	58,045
-	255,000
-	557,006
<u>-</u>	<u>1,588,523</u>
<u>6,768,420</u>	<u>5,696,434</u>
-	1,262,006
<u>(6,748,229)</u>	<u>(6,748,229)</u>
<u>(6,748,229)</u>	<u>(5,486,223)</u>
20,191	210,211
101,797	8,313,470
<u>\$ 121,988</u>	<u>\$ 8,523,681</u>

LAS VIRGENES UNIFIED SCHOOL DISTRICT

GENERAL FUND SELECTED FINANCIAL INFORMATION THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND CHANGES OF FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2012

(Amounts in thousands)

	Actual Results for the Years					
	2011-2012		2010-2011		2009-2010	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	\$ 3,451	3.8	\$ 7,356	7.4	\$ 6,421	7.2
State and local revenue included in revenue limit	57,538	63.9	59,029	59.6	56,049	63.1
Other State revenue	17,992	20.0	18,562	18.8	16,856	19.0
Other local revenue	11,111	12.3	14,034	14.2	9,472	10.7
Total Revenues	90,092	100.0	98,981	100.0	88,798	100.0
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	43,551	48.3	43,210	43.7	43,807	49.3
Classified salaries	15,960	17.7	15,587	15.7	15,792	17.8
Employee benefits	19,063	21.2	18,965	19.2	18,554	20.9
Total Salaries and Benefits	78,574	87.2	77,762	78.6	78,153	88.0
Books and supplies	2,362	2.6	1,849	1.9	2,129	2.4
Contracts and operating expenses	9,577	10.7	11,024	11.1	10,165	11.4
Capital outlay	195	0.2	80	0.1	156	0.2
Other outgo	244	0.3	216	0.2	264	0.3
Total Expenditures	90,952	101.0	90,931	91.9	90,867	102.3
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(860)	(1.0)	8,050	8.1	(2,069)	(2.3)
OTHER FINANCING SOURCES (USES)						
Transfers in	450	0.5	-	-	450	0.5
Transfers out	(1,262)	(1.4)	-	-	(450)	(0.5)
Total Other Financing Sources (Uses)	(812)	(0.9)	-	-	-	-
INCREASE (DECREASE) IN FUND BALANCE	(1,672)	(1.9)	8,050	8.1	(2,069)	(2.3)
FUND BALANCE, BEGINNING	19,884		11,834		13,903	
FUND BALANCE, ENDING	\$ 18,212		\$ 19,884		\$ 11,834	

See accompanying note to supplementary information.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2012

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balances and in Business-Type Activities, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent ARRA - State Fiscal Stabilization Funds that have been recorded in prior fiscal years, as revenues have been expended by June 30, 2012. The ARRA - Build America Bonds (BABs) are excluded from the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and therefore are not presented in the Schedule of Expenditures of Federal Awards.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures and Changes in Fund Balances and Business-Type Activities		\$ 5,643,396
ARRA - State Fiscal Stabilization Funds	84.394	520,338
ARRA - Build America Bonds (BABs)	[1]	(1,872,218)
Total Schedule of Expenditures of Federal Awards		<u>\$ 4,291,516</u>

[1] Catalog of Federal Domestic Assistance Number not available.

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

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

LAS VIRGENES UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2012

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

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

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.

INDEPENDENT AUDITORS' REPORTS



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

Governing Board
Las Virgenes Unified School District
Calabasas, California

We have audited 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, 2012, which collectively comprise Las Virgenes Unified School District's basic financial statements and have issued our report thereon dated December 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As discussed in the Notes to the basic financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding requirements of the State of California to the K-12 educational community.

Internal Control Over Financial Reporting

Management of Las Virgenes Unified School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Las Virgenes Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Las Virgenes Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Las Virgenes Unified School District's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

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*.

We noted certain matters that we reported to management of Las Virgenes Unified School District in a separate letter dated December 4, 2012.

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

VADRENSE, TIRRE, Day + Co. LLP

Rancho Cucamonga, California
December 4, 2012



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board
Las Virgenes Unified School District
Calabasas, California

Compliance

We have audited Las Virgenes Unified School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Las Virgenes Unified School District's management. Our responsibility is to express an opinion on Las Virgenes Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of Las Virgenes Unified School District's compliance with those requirements.

In our opinion, Las Virgenes Unified School District complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

The management of Las Virgenes Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Las Virgenes Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Las Virgenes Unified School 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 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.

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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

VADIRSK TIZNE, Day + Co. LLP

Rancho Cucamonga, California
December 4, 2012



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Las Virgenes Unified School District
Calabasas, California

We have audited Las Virgenes Unified School District's compliance with the requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2011-2012*, applicable to Las Virgenes Unified School District's government programs as noted below for the year ended June 30, 2012. Compliance with the requirements referred to above is the responsibility of Las Virgenes Unified School District's management. Our responsibility is to express an opinion on Las Virgenes Unified School District's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-2012* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. 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 opinions. Our audit does not provide a legal determination of Las Virgenes Unified School District's compliance with those requirements.

In our opinion, Las Virgenes Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2012.

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

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten continuance	3	Yes
Independent study	23	No, see below
Continuation education	10	No, see below
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not applicable

	Procedures in Audit Guide	Procedures Performed
Instructional Materials:		
General requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Juvenile Court Schools	8	Not applicable
Exclusion of Pupils - Pertussis Immunization	2	Yes
Class Size Reduction Program (including in charter schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not applicable
Districts or charter schools 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	3	Not applicable
Mode of instruction	1	Not applicable
Non classroom-based instruction/independent study	15	Not applicable
Determination of funding for non classroom-based instruction	3	Not applicable
Annual instruction minutes classroom based	4	Not applicable

We did not perform testing for Independent Study and Continuation Education because both programs' average daily attendance did meet the minimum level required for testing.

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

VADIVANSK TIZNE, Day + Co. LLP

Rancho Cucamonga, California
December 4, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LAS VIRGENES UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2012

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	
Identification of major programs:	<u>No</u>

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027, 84.027A</u>	<u>Special Education (IDEA) Cluster</u>
<u>84.394 (ARRA)</u>	<u>ARRA - State Fiscal Stabilization Funds</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</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

Type of auditors' report issued on compliance for programs:	<u>Unqualified</u>
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LAS VIRGENES UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

LAS VIRGENES UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

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



Governing Board
Las Virgenes Unified School District
Calabasas, California

In planning and performing our audit of the financial statements of Las Virgenes Unified School District, for the year ended June 30, 2012, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are 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 4, 2012, on the financial statements of Las Virgenes Unified School District.

INTERNAL CONTROLS

Financial Condition/Special Education

Observation

As noted in prior years, special education costs have been significant over the past several years and could adversely affect the District's financial condition and its ability to meet future financial obligations. Special education expenditures were approximately \$19,926,000 in 2011-2012, which accounts for over 22 percent of the General Fund budget. The total General Fund encroachment from unrestricted funds to this program in 2011-2012 was approximately \$9,911,000. The District has taken steps to control costs in this program; however, it appears the special education costs continue to cause a financial burden on the General Fund of the District.

Recommendation

We recommend that the District continue to explore ways to reduce the overall costs of the program, as well as maximizing the revenue received from Federal, State, and local sources.

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

VAVRINEK, TRINE, DAY & CO., LLP

Rancho Cucamonga, California
December 4, 2012