

**CONEJO VALLEY
UNIFIED SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2014

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS JUNE 30, 2014

FINANCIAL SECTION

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Governmental Funds - Balance Sheet	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
Proprietary Funds - Statement of Net Position	20
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Net Position	21
Proprietary Funds - Statement of Cash Flows	22
Fiduciary Funds - Statement of Net Position	23
Fiduciary Funds - Statement of Changes in Net Position	24
Notes to Financial Statements	25

REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Budgetary Comparison Schedule	55
Cafeteria Fund - Budgetary Comparison Schedule	56
Schedule of Other Postemployment Benefits (OPEB) Funding Progress	57

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	59
Local Education Agency Organization Structure	61
Schedule of Average Daily Attendance	62
Schedule of Instructional Time	63
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements	64
Schedule of Financial Trends and Analysis	65
Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet	66
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	67
Note to Supplementary Information	68

INDEPENDENT AUDITOR'S REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	71
Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the OMB Circular A-133	73
Report on State Compliance	75

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	78
Financial Statement Findings	79
Federal Awards Findings and Questioned Costs	82
State Awards Findings and Questioned Costs	83
Summary Schedule of Prior Audit Findings	84
Management Letter	86

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board
Conejo Valley Unified School District
Thousand Oaks, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Conejo Valley Unified School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 Education Agencies 2013-2014*, 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Conejo Valley Unified School District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 12, and budgetary comparison and other postemployment benefit information on pages 55 through 57, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Conejo Valley Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and 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* and the other supplementary information as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

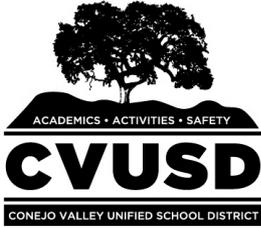
The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2014, on our consideration of the Conejo Valley Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Conejo Valley Unified School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 11, 2014



Conejo Valley Unified School District

BUSINESS SERVICES

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Superintendent of Schools

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This section of Conejo Valley 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, 2014. 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 District and its component units using the integrated approach as prescribed by 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 assets), 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 *Fiduciary Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

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 Conejo Valley Unified School District.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* 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 position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District 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 governing 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 Position* and the *Statement of Activities*, we present the District activities as follows:

Governmental Activities - The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students, adult education 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.

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.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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 Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS A 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, employee retiree benefits, and pensions. The District's fiduciary activities are reported in the *Fiduciary Funds - Statements of Net Position* and *Statement of Revenues, Expenses, and Changes in Fund Net Position*. 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.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$80,094,347 for the fiscal year ended June 30, 2014. Of this amount, \$34,147,594 was unrestricted. Restricted net position are reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2014	2013
Assets		
Current and other assets	\$ 36,807,973	\$ 41,603,045
Capital assets	112,817,794	117,058,458
Total Assets	<u>149,625,767</u>	<u>158,661,503</u>
Liabilities		
Current liabilities	7,977,202	11,931,176
Long-term obligations	61,554,218	69,181,846
Total Liabilities	<u>69,531,420</u>	<u>81,113,022</u>
Net Position		
Net investment in capital assets	87,337,569	85,247,798
Restricted	26,904,372	10,483,129
Unrestricted	(34,147,594)	(18,182,446)
Total Net Position	<u>\$ 80,094,347</u>	<u>\$ 77,548,481</u>

The \$(34,147,594) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 14. 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

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Revenues		
Program revenues:		
Charges for services	\$ 2,980,253	\$ 2,705,653
Operating grants and contributions	26,547,389	29,014,359
General revenues:		
Federal and State aid not restricted	51,389,009	46,445,463
Property taxes	91,432,539	90,248,291
Other general revenues	18,367,202	20,400,444
Total Revenues	<u>190,716,392</u>	<u>188,814,210</u>
Expenses		
Instruction-related	136,870,877	138,367,353
Pupil services	14,436,315	14,311,752
General administration	9,107,249	8,598,190
Maintenance and operations	16,188,731	16,480,039
Other	11,567,354	12,698,139
Total Expenses	<u>188,170,526</u>	<u>190,455,473</u>
Change in Net Position	<u>\$ 2,545,866</u>	<u>\$ (1,641,263)</u>

Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was \$188,170,526. However, the amount that our taxpayers ultimately financed for these activities through local taxes was \$91,432,539, because the cost was paid by those who benefited from the programs \$2,980,253 or by other governments and organizations who subsidized certain programs with grants and contributions \$26,547,389. We paid for the remaining "public benefit" portion of our governmental activities with \$69,756,211 in State funds, and with other revenues, like interest and general entitlements.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

In Table 3, we have presented the cost and net cost of each of the District's largest functions. 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

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction	\$ 119,528,293	\$ 121,394,174	\$ 101,993,763	\$ 101,478,651
Instruction-related activities	17,342,584	16,973,179	16,614,724	16,164,202
Pupil services	14,436,315	14,311,752	8,685,642	7,722,164
General administration	9,107,249	8,598,190	8,806,460	8,359,420
Maintenance and operations	16,188,731	16,480,039	16,109,117	16,397,233
Other	11,567,354	12,698,139	6,433,178	8,613,791
Total	\$ 188,170,526	\$ 190,455,473	\$ 158,642,884	\$ 158,735,461

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$28,206,637, which is a decrease of \$2,768,212 from last year (Table 4).

Table 4

	Balances and Activity			
	July 1, 2013	Revenues	Expenditures	June 30, 2014
General Fund	\$ 12,243,311	\$ 166,707,345	\$ 168,599,457	\$ 10,351,199
Cafeteria Fund	58,725	4,606,908	4,543,297	122,336
Special Reserve Fund for Capital				
Outlay Projects	7,350,762	1,143,142	2,225,223	6,268,681
Bond Interest and Redemption Fund	9,390,852	8,969,774	8,827,750	9,532,876
Non-Major Governmental Funds	1,931,199	10,010,669	10,010,323	1,931,545
Total	\$ 30,974,849	\$ 191,437,838	\$ 194,206,050	\$ 28,206,637

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

The primary reasons for these increases/decreases are:

- a. The General Fund is the District's principal operating fund. The fund balance in the General Fund decreased by \$1,892,112. This decrease is due to the School Board's decision to grant a 2 percent salary increase to all represented employees.
- b. The Building Fund (Bond) balance decrease from \$481,528 to \$ -0-. These funds have been fully exhausted in accordance with the guidelines outlined in the Measure R Bond on projects approved by the Board of Education.
- c. The Special Reserve Fund for Capital Outlay Projects balance decrease by \$1,082,081 to \$6,268,681. The decrease was realized in the TOPASS Fund. The decreased balance was the result of District site repairs and improvements in accordance with the City of Thousand Oaks redevelopment agreement.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on September 16, 2014. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 55).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had \$112,817,794 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$4,240,664, or 3.62 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2014	2013
Land and construction in progress	\$ 19,274,532	\$ 19,234,796
Buildings and improvements	91,570,399	96,631,242
Equipment	1,972,863	1,192,420
Total	\$ 112,817,794	\$ 117,058,458

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Long-Term Obligations

At the end of this year, the District had \$47,355,622 in bonds outstanding versus \$53,762,698 last year, a decrease of \$6,407,076. Long-term obligations consisted of:

Table 6

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
General obligation bonds (financed with property taxes)	\$ 47,355,622	\$ 53,762,698
Premium on issuance	1,757,674	2,050,620
Capital leases	597,515	660,916
Compensated absences (vacations)	934,965	998,928
Claims liabilities (IBNR)	5,367,489	6,972,283
Net OPEB obligation	5,540,953	4,736,401
Total	\$ 61,554,218	\$ 69,181,846

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2014-2015 year, the Board of Education and management used the following criteria:

1. State Funding Model – Local Control Funding Formula.
2. Decline in District enrollment.
3. Increase employee retirement program contribution rates, CalSTRS and CalPERS

District Staffing and enrollment forecasts:

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Grades kindergarten through third	21.5:1	4,737
Grades four through eight	30:1	7,004
Grades nine through twelve	30:1	7,290
Special Education (SDC)	12:1	490
Independent Study	10:1	107

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and 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 the Assistant Superintendent of Business Services at Conejo Valley Unified School District, 1400 E. Janss Road., Thousand Oaks, California, 91362, or call 805-497-9511.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2014

	Governmental Activities
ASSETS	
Deposits and investments	\$ 25,989,125
Receivables	10,400,984
Prepaid expenditures	199,894
Stores inventories	217,970
Capital assets	
Land and construction in progress	19,274,532
Other capital assets	204,377,585
Less: Accumulated depreciation	<u>(110,834,323)</u>
Capital Assets, Net of Accumulated Depreciation	<u>112,817,794</u>
Total Assets	<u><u>149,625,767</u></u>
LIABILITIES	
Accounts payable	4,773,753
Interest payable	242,917
Unearned revenue	1,281,537
Claims liabilities	1,678,995
Long-term obligations	
Current portion of long-term obligations	8,479,016
Noncurrent portion of long-term obligations	<u>53,075,202</u>
Total Long-Term Obligations	<u>61,554,218</u>
Total Liabilities	<u><u>69,531,420</u></u>
NET POSITION	
Net investment in capital assets	87,337,569
Restricted for:	
Debt service	9,289,959
Capital projects	13,919,748
Educational programs	2,932,983
Other activities	761,682
Unrestricted	<u>(34,147,594)</u>
Total Net Position	<u><u>\$ 80,094,347</u></u>

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

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 119,528,293	\$ 42,848	\$ 17,491,682	\$ (101,993,763)
Instruction-related activities:				
Supervision of instruction	2,904,840	13	620,884	(2,283,943)
Instructional library, media, and technology	1,204,946	93	811	(1,204,042)
School site administration	13,232,798	147	105,912	(13,126,739)
Pupil services:				
Home-to-school transportation	1,792,787	-	146,822	(1,645,965)
Food services	4,541,153	1,964,930	2,340,442	(235,781)
All other pupil services	8,102,375	200	1,298,279	(6,803,896)
Administration:				
Data processing	3,799,229	-	97,095	(3,702,134)
All other administration	5,308,020	15,379	188,315	(5,104,326)
Plant services	16,188,731	25,875	53,739	(16,109,117)
Ancillary services	2,452,252	-	-	(2,452,252)
Community services	1,293,310	110,683	184,021	(998,606)
Enterprise services	4,180,334	-	479,682	(3,700,652)
Interest on long-term obligations	2,077,192	-	-	(2,077,192)
Other outgo	1,564,266	820,085	3,539,705	2,795,524
Total Governmental Activities	\$ 188,170,526	\$ 2,980,253	\$ 26,547,389	(158,642,884)
General revenues and subventions:				
Property taxes, levied for general purposes				81,401,585
Property taxes, levied for debt service				8,952,492
Taxes levied for other specific purposes				1,078,462
Federal and State aid not restricted to specific purposes				51,389,009
Interest and investment earnings				165,066
Interagency revenues				395,105
Miscellaneous				17,807,031
Subtotal, General Revenues				161,188,750
Change in Net Position				2,545,866
Net Position - Beginning				77,548,481
Net Position - Ending				\$ 80,094,347

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

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014**

	General Fund	Cafeteria Fund	Special Reserve Fund for Capital Outlay Projects
ASSETS			
Deposits and investments	\$ 3,166,643	\$ 28,718	\$ 6,230,820
Receivables	9,359,113	393,881	5,094
Due from other funds	3,407,106	616,237	79,988
Prepaid expenditures	199,894	-	-
Stores inventories	179,418	38,552	-
Total Assets	\$ 16,312,174	\$ 1,077,388	\$ 6,315,902
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 4,295,385	\$ 57,174	\$ 43,879
Due to other funds	700,215	743,203	3,342
Unearned revenue	965,375	154,675	-
Total Liabilities	5,960,975	955,052	47,221
Fund Balances:			
Nonspendable	419,612	38,552	-
Restricted	2,932,983	83,784	-
Committed	-	-	-
Assigned	2,039,450	-	6,268,681
Unassigned	4,959,154	-	-
Total Fund Balances	10,351,199	122,336	6,268,681
Total Liabilities and Fund Balances	\$ 16,312,174	\$ 1,077,388	\$ 6,315,902

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

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 9,525,823	\$ 2,278,476	\$ 21,230,480
7,053	206,900	9,972,041
-	65,673	4,169,004
-	-	199,894
-	-	217,970
<u>\$ 9,532,876</u>	<u>\$ 2,551,049</u>	<u>\$ 35,789,389</u>
\$ -	\$ 322,179	\$ 4,718,617
-	135,838	1,582,598
-	161,487	1,281,537
-	619,504	7,582,752
-	-	458,164
9,532,876	1,716,054	14,265,697
-	215,491	215,491
-	-	8,308,131
-	-	4,959,154
<u>9,532,876</u>	<u>1,931,545</u>	<u>28,206,637</u>
<u>\$ 9,532,876</u>	<u>\$ 2,551,049</u>	<u>\$ 35,789,389</u>

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Total Fund Balance - Governmental Funds		\$ 28,206,637
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is:	\$ 223,652,117	
Accumulated depreciation is:	<u>(110,834,323)</u>	
Net Capital Assets		112,817,794
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.		(242,917)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities.		(4,500,438)
Long-term obligations, including bonds payable, 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:		
General obligation bonds payable	(30,791,054)	
Premium on Issuance	(1,757,674)	
Capital leases payable	(597,515)	
Compensated absences (vacations)	(934,965)	
Net OPEB obligation	(5,540,953)	
In addition, the District previously issued "capital appreciation" general obligation bonds. The cumulative capital accretion on the general obligation bonds is:	<u>(16,564,568)</u>	
Total Long-Term Obligations		<u>(56,186,729)</u>
Total Net Position - Governmental Activities		<u><u>\$ 80,094,347</u></u>

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

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Cafeteria Fund	Special Reserve Fund for Capital Outlay Projects
REVENUES			
Local Control Funding Formula	\$ 127,276,219	\$ -	\$ -
Federal sources	6,116,796	2,438,080	-
Other State sources	15,526,533	170,334	-
Other local sources	17,060,810	1,998,494	1,098,142
Total Revenues	165,980,358	4,606,908	1,098,142
EXPENDITURES			
Current			
Instruction	112,305,856	-	-
Instruction-related activities:			
Supervision of instruction	2,895,640	-	-
Instructional library, media and technology	1,192,679	-	-
School site administration	12,591,679	-	-
Pupil services:			
Home-to-school transportation	1,792,787	-	-
Food services	-	4,492,286	-
All other pupil services	8,019,419	-	-
Administration:			
Data processing	3,598,027	-	-
All other administration	4,728,392	-	-
Plant services	15,137,236	51,011	-
Facility acquisition and construction	165,660	-	2,225,223
Ancillary services	2,452,252	-	-
Community services	1,293,310	-	-
Other outgo	1,564,266	-	-
Enterprise services	-	-	-
Debt service			
Principal	660,916	-	-
Interest and other	-	-	-
Total Expenditures	168,398,119	4,543,297	2,225,223
Excess (Deficiency) of Revenues Over Expenditures	(2,417,761)	63,611	(1,127,081)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Other sources	726,987	-	45,000
Transfers out	(201,338)	-	-
Net Financing Sources (Uses)	525,649	-	45,000
NET CHANGE IN FUND BALANCES	(1,892,112)	63,611	(1,082,081)
Fund Balances - Beginning	12,243,311	58,725	7,350,762
Fund Balances - Ending	\$ 10,351,199	\$ 122,336	\$ 6,268,681

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

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 1,545,159	\$ 128,821,378
-	250,004	8,804,880
65,659	2,028	15,764,554
8,904,115	8,208,478	37,270,039
<u>8,969,774</u>	<u>10,005,669</u>	<u>190,660,851</u>
-	3,758,536	116,064,392
-	-	2,895,640
-	-	1,192,679
-	496,476	13,088,155
-	-	1,792,787
-	-	4,492,286
-	57,884	8,077,303
-	-	3,598,027
-	555,321	5,283,713
-	217,674	15,405,921
-	763,802	3,154,685
-	-	2,452,252
-	-	1,293,310
-	-	1,564,266
-	4,160,630	4,160,630
5,395,011	-	6,055,927
3,432,739	-	3,432,739
<u>8,827,750</u>	<u>10,010,323</u>	<u>194,004,712</u>
142,024	(4,654)	(3,343,861)
-	5,000	5,000
-	-	771,987
-	-	(201,338)
-	5,000	575,649
142,024	346	(2,768,212)
9,390,852	1,931,199	30,974,849
<u>\$ 9,532,876</u>	<u>\$ 1,931,545</u>	<u>\$ 28,206,637</u>

CONEJO VALLEY 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, 2014

Total Net Change in Fund Balances - Governmental Funds \$ (2,768,212)

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Capital outlay 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 Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which depreciation exceeds capital outlay in the period.

Depreciation expense	\$ (6,706,720)	
Capital outlays	<u>2,466,056</u>	
Net Expense Adjustment		(4,240,664)

Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the Statement of Activities, but rather constitute long-term obligations in the Statement of Net Position.

(726,987)

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) 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). Vacation used was more than the amounts earned by \$63,963.

63,963

Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.

General obligation bonds	8,220,000	
Capital leases	<u>790,388</u>	
Net Adjustment		9,010,388

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

CONEJO VALLEY 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, 2014

Governmental funds report the effect of premiums, discounts, and issuance costs when the debt is first issued, whereas the amounts are deferred and amortized over the life of the debt in the Statement of Activities. This amount is the net effect of the amortization of the related items:

Premium on issuance for general obligation bonds	\$ 292,946
In the Statement of Activities Other Postemployment Benefit Obligations (OPEB) are measured by an actuarially determined Annual Required Contribution (ARC). 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, amounts contributed toward the OPEB obligation were less than the ARC by \$804,552.	(804,552)
The accretion of interest on capital appreciation bonds is not recognized in the governmental funds, but it increases long-term obligations in the Statement of Net Position and increases interest expense in the Statement of Activities.	(1,812,924)
Interest on long-term obligations is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.	(78,936)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.	2,578,364
An internal service fund is used by the District's management to charge the costs of the health and welfare insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.	1,032,480
Change in Net Position of Governmental Activities	<u><u>\$ 2,545,866</u></u>

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

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2014**

	Governmental Activities		
	Workers' Compensation Internal Service Fund	Health and Welfare Internal Service Fund	Total Internal Service Funds
ASSETS			
Current Assets			
Deposits and investments	\$ 2,009,107	\$ 2,749,538	\$ 4,758,645
Receivables	1,434	427,509	428,943
Due from other funds	19,272	3,464	22,736
Total Current Assets	<u>2,029,813</u>	<u>3,180,511</u>	<u>5,210,324</u>
LIABILITIES			
Accounts payable	15,654	39,482	55,136
Due to other funds	9,142	2,600,000	2,609,142
Claims liabilities	1,065,078	613,917	1,678,995
Total Current Liabilities	<u>1,089,874</u>	<u>3,253,399</u>	<u>4,343,273</u>
Noncurrent Liabilities			
Claims liabilities	3,935,017	1,432,472	5,367,489
NET POSITION (DEFICIT)			
Restricted	<u>(2,995,078)</u>	<u>(1,505,360)</u>	<u>(4,500,438)</u>
Total Net Position (Deficit)	<u><u>\$ (2,995,078)</u></u>	<u><u>\$ (1,505,360)</u></u>	<u><u>\$ (4,500,438)</u></u>

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

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

	Governmental Activities		
	Workers' Compensation Internal Service Fund	Health and Welfare Internal Service Fund	Total Internal Service Funds
OPERATING REVENUES			
Local and intermediate sources	\$ 3,500,137	\$ 23,381,423	\$ 26,881,560
OPERATING EXPENSES			
Payroll costs	111,813	184,650	296,463
Supplies and materials	121	3,088	3,209
Services and other	167,433	1,897	169,330
Professional and contract services	647,161	22,361,432	23,008,593
Total Operating Expenses	<u>926,528</u>	<u>22,551,067</u>	<u>23,477,595</u>
Operating Income	<u>2,573,609</u>	<u>830,356</u>	<u>3,403,965</u>
NONOPERATING REVENUES			
Interest income	4,755	5,786	10,541
Transfers in	-	196,338	196,338
Total Nonoperating Revenues	<u>4,755</u>	<u>202,124</u>	<u>206,879</u>
Change in Net Position (Deficit)	2,578,364	1,032,480	3,610,844
Total Net Position (Deficit) - Beginning	<u>(5,573,442)</u>	<u>(2,537,840)</u>	<u>(8,111,282)</u>
Total Net Position (Deficit) - Ending	<u>\$ (2,995,078)</u>	<u>\$ (1,505,360)</u>	<u>\$ (4,500,438)</u>

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

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	\$ 26,668,341
Cash payments to employees for services	(296,463)
Cash payments to suppliers for goods and services	(26,239,406)
Cash payments for other operating expenses	(3,209)
Net Cash Provided by Operating Activities	<u>129,263</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfers in	<u>196,338</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>10,541</u>
Net Increase in Cash and Cash Equivalents	336,142
Cash and Cash Equivalents - Beginning	4,422,503
Cash and Cash Equivalents - Ending	<u><u>\$ 4,758,645</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 3,403,965
Changes in assets and liabilities:	
Receivables	(209,912)
Due from other funds	(3,307)
Accounts payable	(49,468)
Due to other funds	(1,161,516)
Claim liabilities	(1,850,499)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 129,263</u></u>

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

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2014**

	Associated Student Bodies	Foundation Special Reserve	Total Fiduciary Funds
ASSETS			
Deposits and investments	\$ 1,737,870	\$ 53,823	\$ 1,791,693
Receivables	24,878	49	24,927
Prepaid expenditures	63,821	-	63,821
Stores inventory	161,265	-	161,265
Total Assets	\$ 1,987,834	\$ 53,872	\$ 2,041,706
LIABILITIES			
Accounts payable	\$ 301,639	\$ -	\$ 301,639
Unearned revenue		52,892	52,892
Due to student groups	1,686,195	-	1,686,195
Total Liabilities	\$ 1,987,834	52,892	2,040,726
NET POSITION			
Held in trust for scholarships		980	980
Total Net Position		\$ 980	\$ 980

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

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

	Foundation Special Reserve
ADDITIONS	
Private donations	\$ 12,500
Interest	179
Total Additions	<u>12,679</u>
DEDUCTIONS	
Other expenditures	<u>12,500</u>
Change in Net Position	179
Net Position - Beginning	801
Net Position - Ending	<u><u>\$ 980</u></u>

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

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Conejo Valley Unified School District (the District) was unified on July 1, 1974, 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 17 elementary schools, five middle schools, three high schools, a continuation high school, an adult education program, an alternative education site, and a preschool program.

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 Conejo Valley 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.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects is used to account for funds set aside for Board designated construction projects.

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).

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

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).

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.

Capital Facilities Fund The Capital Facilities Fund is 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).

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, 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 no enterprise funds.

Internal Service Fund Internal service funds may be used to account for any activity for which services are provided to other funds of the District on a cost-reimbursement basis. The District operates a workers' compensation program and a health and welfare benefits program that are accounted for in internal service funds.

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.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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. 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 statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function, 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, except for depreciation. 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 position should be reported as restricted when constraints placed on net position 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 position restricted for other activities result from special revenue funds and the restrictions on their 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. The internal service fund is presented on the face of the proprietary fund statements.

Governmental Funds All governmental funds are accounted for using the 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 balances 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 reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 position. The statement of changes in fund net position 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 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

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.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014, 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 investment pool are determined by the program sponsor.

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when paid.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental funds and expenses in the proprietary 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. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$10,000. The District does not possess any infrastructure. 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 statement of net position. The valuation basis for capital assets is 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.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 40 years; improvements/infrastructure, 5 to 40 years; equipment, 2 to 15 years.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 activities column of the statement of net position.

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 position. 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 governmental 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 governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Debt 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 position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Fund Balances - Governmental Funds

As of June 30, 2014, 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/assistant superintendent of business services 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 one-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.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets, 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 position is 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 position is available. The government-wide financial statements reports \$26,904,372 of restricted net position.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charged to other funds for self-insurance. Operating expenses are necessary cost incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Interfund Activity

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 in the financial statements. Interfund transfers are eliminated in the governmental 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.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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 Ventura bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB 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.

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.

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 non-employer 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, non-employer 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.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

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

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a State or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a State or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a State or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a State or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 25,989,125
Fiduciary funds	<u>1,791,693</u>
Total Deposits and Investments	<u><u>\$ 27,780,818</u></u>

Deposits and investments as of June 30, 2014, consist of the following:

Cash on hand and in banks	\$ 1,805,837
Cash in revolving	480,096
Investments	<u>25,494,885</u>
Total Deposits and Investments	<u><u>\$ 27,780,818</u></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.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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.

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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Ventura County Investment Pool.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Days to Maturity</u>
Ventura County Investment Pool	<u>\$ 25,440,071</u>	290

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.

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Rating June 30, 2014</u>	<u>Fair Value</u>
Ventura County Investment Pool	Not Required	AAAf	<u>\$ 25,440,071</u>

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, 2014, the District's bank balance was not exposed to custodial credit risk.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 - RECEIVABLES

Receivables at June 30, 2014, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Cafeteria Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund
Federal Government				
Categorical aid	\$ 2,039,539	\$ 362,227	\$ -	\$ -
State Government				
State principal apportionment	908,246	-	-	-
Categorical aid	2,881,870	15,537	-	-
Lottery	1,632,398	-	-	-
Local Government				
Interest	73,331	216	5,094	7,053
Other Local Sources	1,823,729	15,901	-	-
Total	<u>\$ 9,359,113</u>	<u>\$ 393,881</u>	<u>\$ 5,094</u>	<u>\$ 7,053</u>

	Non-Major Governmental Funds	Internal Service Funds	Total Governmental Activities	Fiduciary Funds
Federal Government				
Categorical aid	\$ 168,035	\$ -	\$ 2,569,801	\$ -
State Government				
State principal apportionment	-	-	908,246	-
Categorical aid	-	-	2,897,407	-
Lottery	-	-	1,632,398	-
Local Government				
Interest	2,145	3,370	91,209	49
Other Local Sources	36,720	425,573	2,301,923	24,878
Total	<u>\$ 206,900</u>	<u>\$ 428,943</u>	<u>\$ 10,400,984</u>	<u>\$ 24,927</u>

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 18,643,552	\$ -	\$ -	\$ 18,643,552
Construction in Progress	591,244	374,359	334,623	630,980
Total Capital Assets Not Being Depreciated	<u>19,234,796</u>	<u>374,359</u>	<u>334,623</u>	<u>19,274,532</u>
Capital Assets Being Depreciated:				
Land Improvements	14,603,943	576,941	-	15,180,884
Buildings and Improvements	183,020,808	726,789	-	183,747,597
Furniture and Equipment	4,326,514	1,122,590	-	5,449,104
Total Capital Assets Being Depreciated	<u>201,951,265</u>	<u>2,426,320</u>	<u>-</u>	<u>204,377,585</u>
Total Capital Assets	<u>221,186,061</u>	<u>2,800,679</u>	<u>334,623</u>	<u>223,652,117</u>
Less Accumulated Depreciation:				
Land Improvements	5,583,316	765,720	-	6,349,036
Buildings and Improvements	95,410,193	5,598,853	-	101,009,046
Furniture and Equipment	3,134,094	342,147	-	3,476,241
Total Accumulated Depreciation Governmental Activities	<u>104,127,603</u>	<u>6,706,720</u>	<u>-</u>	<u>110,834,323</u>
Capital Assets, Net	<u>\$ 117,058,458</u>	<u>\$ (3,906,041)</u>	<u>\$ 334,623</u>	<u>\$ 112,817,794</u>

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

Governmental Activities	
Instruction	\$ 6,404,916
Food services	33,534
Data processing	201,202
All other administration	33,534
Plant services	33,534
Total Depreciation Expenses Governmental Activities	<u>\$ 6,706,720</u>

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2014, between major and non-major governmental funds, and internal service funds, are as follows:

Due To	Due From					Total Governmental Activities
	General Fund	Cafeteria Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Funds	
General Fund	\$ -	\$ 742,481	\$ -	\$ 55,850	\$ 2,608,775	\$ 3,407,106
Cafeteria Fund	615,870	-	-	-	367	616,237
Special Reserve Fund for Capital Outlay Projects	-	-	-	79,988	-	79,988
Non-Major Governmental Funds	62,331	-	3,342	-	-	65,673
Internal Service Funds	22,014	722	-	-	-	22,736
Total	<u>\$ 700,215</u>	<u>\$ 743,203</u>	<u>\$ 3,342</u>	<u>\$ 135,838</u>	<u>\$ 2,609,142</u>	<u>\$ 4,191,740</u>

The balance of \$60,332 is due to the Child Development Non-Major Governmental Fund from the General Fund for payroll.
 A balance of \$615,870 is due to the Cafeteria Fund from the General Fund for cash flow purposes.
 A balance of \$55,298 is due to the General Fund from the Child Development Non-Major Governmental Fund for indirect costs.
 A balance of \$566,000 is due to the General Fund from the Cafeteria Fund for temporary loan.
 A balance of \$79,988 is due to the Capital Facilities Non-Major Governmental Fund from the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects for lease payment.
 A balance of \$1,600,000 is due to the General Fund from the Internal Service Fund for temporary loan.

All remaining balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Operating Transfers

Interfund transfers for the year ended June 30, 2014, consisted of the following:

<u>Transfer To</u>	<u>Transfer From General Fund</u>
Non-Major Governmental Funds	\$ 5,000
Internal Service Funds	196,338
Total	<u>\$ 201,338</u>
The General Fund transferred to the Adult Education Non-Major Governmental Fund to cover program costs.	\$ 5,000
The General Fund transferred to the Self-Insurance Health and Welfare Fund for premium contributions.	196,338
Total	<u>\$ 201,338</u>

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2014, consisted of the following:

	General Fund	Cafeteria Fund	Special Reserve		Internal Service Funds	Total Governmental Activities	Fiduciary Funds
			Fund for Capital Outlay Projects	Non-Major Governmental Funds			
Vendor payables	\$ 1,045,125	\$ 46,154	\$ 43,879	\$ 122,890	\$ 55,136	\$ 1,313,184	\$ 301,639
State principal apportionment	1,731,049	-	-	-	-	1,731,049	-
Salaries and benefits	1,519,211	11,020	-	172,785	-	1,703,016	-
Construction	-	-	-	26,504	-	26,504	-
Total	<u>\$ 4,295,385</u>	<u>\$ 57,174</u>	<u>\$ 43,879</u>	<u>\$ 322,179</u>	<u>\$ 55,136</u>	<u>\$ 4,773,753</u>	<u>\$ 301,639</u>

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2014, consisted of the following:

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Funds
Federal financial assistance	\$ 30,207	\$ 147,419	\$ -	\$ 177,626	\$ -
State categorical aid	141,670	-	-	141,670	-
Other local	793,498	7,256	161,487	962,241	52,892
Total	<u>\$ 965,375</u>	<u>\$ 154,675</u>	<u>\$ 161,487</u>	<u>\$ 1,281,537</u>	<u>\$ 52,892</u>

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

The District issued \$10,780,000 of Tax Revenue Anticipation Notes dated February 20, 2013. The notes matured on October 1, 2013 with an interest rate of 2.00 percent. The notes were sold to supplement cash flow. Repayment terms stipulate that 100 percent of the principal and interest is due on the account to a designated Fiscal Agent by the notes maturity date. By September 2013, the District had placed 100 percent of the outstanding 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.

On July 15, 2013, the District issued \$33,450,000 of Tax and Revenue Anticipation Notes bearing interest at 2.00 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on May 1, 2014. By April 2014, 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.

<u>Issue Date</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding June 30, 2014</u>
2/20/2013	2.00%	10/1/2013	\$ 2,277,000	\$ -	\$ 2,277,000	\$ -
7/15/2013	2.00%	5/1/2014	-	33,450,000	33,450,000	-
			<u>\$ 2,277,000</u>	<u>\$ 33,450,000</u>	<u>\$ 35,727,000</u>	<u>\$ -</u>

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2013	Additions	Deductions	Balance June 30, 2014	Due in One Year
General obligation bonds	\$ 53,762,698	\$ 1,812,924	\$ 8,220,000	\$ 47,355,622	\$ 8,336,350
Premium on issuance	2,050,620	-	292,946	1,757,674	-
Capital leases	660,916	726,987	790,388	597,515	142,666
Compensated absences (vacations)	998,928	-	63,963	934,965	-
Claims Liabilities (IBNR)	6,972,283	-	1,604,794	5,367,489	-
Net OPEB obligation	4,736,401	1,802,817	998,265	5,540,953	-
	<u>\$ 69,181,846</u>	<u>\$ 4,342,728</u>	<u>\$ 11,970,356</u>	<u>\$ 61,554,218</u>	<u>\$ 8,479,016</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues.

The capital leases are paid by the Capital Facilities Fund and the Special Reserve Fund for Capital Outlay Projects.

The compensated absences will be paid by the fund for which the employee worked.

The claims liabilities are paid by the Internal Service Fund.

The postemployment benefits are paid by the General Fund.

Bonded Debt

General Obligation Bonds, Election of 1998, Series B

In October 2000, the District issued \$13,785,000 in current interest bonds and \$19,990,115 in capital appreciation bonds of the General Obligation Bonds, Election of 1998, Series B. The capital appreciation bonds accreting interest to a maturity value of \$38,615,000. The bonds mature through August 1, 2015, with interest rates from 3.85 to 5.40 percent. Proceeds from the sale of the bonds were used to finance specific construction and modernization projects approved by the voters and pay costs of issuance of the bonds. At June 30, 2014, the principal balance outstanding was \$16,389,492.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

General Obligation Bonds, Election of 1998, Series C

In April 2002, the District issued \$8,205,028 principal amount of the General Obligation Bonds Election of 1998, Series C. The Election of 1998, Series C Bonds were issued as capital appreciation bonds, with the capital bond principal accruing interest to a maturity value of \$18,955,000. The bonds mature through August 1, 2017, with interest rates from 5.55 to 5.60 percent. Proceeds from the sale of the bonds were used to finance specific construction and modernization projects approved by the voters and pay costs of issuance of the bonds. At June 30, 2014, the principal balance outstanding was \$16,221,130.

2012 General Obligation Refunding Bonds

In December 2012, the District issued \$17,220,000 of the 2012 General Obligation Refunding Bonds. The bonds mature on August 1, 2019, with interest yields ranging from 2.50 to 4.50 percent. The proceeds from the sale of the bonds were used to refund the outstanding General Obligation Bonds, Election of 1998, Series A and D. At June 30, 2014, the principal balance outstanding was \$14,745,000 and unamortized premium was \$1,757,674.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2013	Additions/ Accreted Interest	Redeemed	Bonds Outstanding June 30, 2014
Current Interest							
12/6/2012	8/1/2019	2.50-4.50%	17,220,000	\$ 17,220,000	\$ -	\$ 2,475,000	\$ 14,745,000
Capital Appreciation							
10/26/2000	8/1/2015	3.85-5.40%	19,990,115	21,202,114	932,378	5,745,000	16,389,492
4/4/2002	8/1/2017	5.55-5.60%	8,205,028	15,340,584	880,546	-	16,221,130
				<u>\$ 53,762,698</u>	<u>\$ 1,812,924</u>	<u>\$ 8,220,000</u>	<u>\$ 47,355,622</u>

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Debt Service Requirements to Maturity

The payments are as follows:

Fiscal Year	Current Interest Bonds		Capital Appreciation Bonds		
	Principal	Interest	Principal	Future Interest Accretion	Total
2015	\$ 125,000	\$ 581,750	\$ 8,211,350	\$ 1,501,897	\$ 10,419,997
2016	130,000	578,550	8,178,142	1,114,234	10,000,926
2017	-	576,600	8,130,465	661,341	9,368,406
2018	-	576,600	8,090,665	156,908	8,824,173
2019	7,155,000	461,625	-	-	7,616,625
2020	7,335,000	173,325	-	-	7,508,325
Total	\$ 14,745,000	\$ 2,948,450	\$ 32,610,622	\$ 3,434,380	\$ 53,738,452

Capital Leases

The District has agreed to construct, acquire and install certain capital improvements at the Sycamore Canyon Elementary School (the Project) and to finance the Project by leasing the Project to Public Property Financing Corporation of California (the Corporation) pursuant to a Site Lease Agreement dated June 14, 2005, and leasing back from the Corporation the site pursuant to the terms of the Sublease/Option Agreement. The Corporation assigned the Site Lease Agreement and the Sublease/Option Agreement to Citi Mortgage, Inc. (the Assignee). The Corporation is required to either deposit or cause to be deposited with the escrow agent the amount to be used to pay the cost of the Project in accordance with the terms and provisions of the Sublease/Option Agreement and as provided in the Escrow Agreement.

	Capital Leases
Balance, July 1, 2013	\$ 660,916
Additions	773,591
Payments	790,388
Balance, June 30, 2014	\$ 644,119

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

The capital leases have minimum lease payments as follows:

<u>Fiscal Year</u>	<u>Lease Payment</u>
2015	\$ 161,029
2016	161,029
2016	161,030
2020-2024	<u>161,031</u>
Total	644,119
Less: Amount Representing Interest	<u>46,604</u>
Present Value of Minimum Lease Payments	<u><u>\$ 597,515</u></u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2014, amounted to \$934,965.

Claims Liability

The District has an outstanding long-term obligation for incurred, but not reported, claims for the District's Internal Service Fund in the amount of \$5,367,489.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2014, was \$1,613,361, and contributions made by the District during the year were \$724,359. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$189,456 and \$273,906, respectively, which resulted in an increase to the net OPEB obligation of \$804,552. As of June 30, 2014, the net OPEB obligation was \$5,540,953. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Cafeteria Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund
Nonspendable				
Revolving cash	\$ 40,300	\$ -	\$ -	\$ -
Stores inventories	179,418	38,552	-	-
Prepaid expenditures	199,894	-	-	-
Total Nonspendable	<u>419,612</u>	<u>38,552</u>	<u>-</u>	<u>-</u>
Restricted				
Legally restricted programs	2,932,983	83,784	-	-
Capital projects	-	-	-	-
Debt services	-	-	-	9,532,876
Total Restricted	<u>2,932,983</u>	<u>83,784</u>	<u>-</u>	<u>9,532,876</u>
Committed				
Adult education program	-	-	-	-
Assigned				
Other assignments	<u>2,039,450</u>	<u>-</u>	<u>6,268,681</u>	<u>-</u>
Unassigned				
Reserve for economic uncertainties	4,923,477	-	-	-
Remaining unassigned	35,677	-	-	-
Total Unassigned	<u>4,959,154</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 10,351,199</u>	<u>\$ 122,336</u>	<u>\$ 6,268,681</u>	<u>\$ 9,532,876</u>

Non-Major Governmental Funds	Total
\$ -	\$ 40,300
-	217,970
-	199,894
<u>-</u>	<u>458,164</u>
677,898	3,694,665
1,038,156	1,038,156
-	9,532,876
<u>1,716,054</u>	<u>14,265,697</u>
<u>215,491</u>	<u>215,491</u>
<u>-</u>	<u>8,308,131</u>
-	4,923,477
-	35,677
<u>-</u>	<u>4,959,154</u>
<u>\$ 1,931,545</u>	<u>\$ 28,206,637</u>

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 11 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2014, the following District major fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Cafeteria Fund	<u>\$ 4,442,177</u>	<u>\$ 4,543,297</u>	<u>\$ 101,120</u>

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

Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Conejo Valley Unified School District. The Plan provides medical and prescription drug benefits to eligible retirees. Membership of the Plan consists of 101 retirees and beneficiaries currently receiving benefits, and 1,406 active plan members. Separate financial statements are not prepared for the Plan.

Contribution Information

For fiscal year 2013-2014, the District contributed \$724,359 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefits (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	\$ 1,613,361
Interest on net OPEB obligation	189,456
Adjustment to annual required contribution	<u>(273,906)</u>
Annual OPEB cost (expense)	1,528,911
Contributions made	<u>(724,359)</u>
Increase in net OPEB obligation	804,552
Net OPEB obligation, beginning of year	<u>4,736,401</u>
Net OPEB obligation, end of year	<u>\$ 5,540,953</u>

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
2012	\$ 1,366,341	\$ 708,809	51.88%	\$ 4,061,560
2013	1,454,172	779,331	53.59%	4,736,401
2014	1,528,911	724,359	47.38%	5,540,953

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected 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, 2013	\$ -	\$ 23,331,562	\$ 23,331,562	0%	\$ 112,308,502	20.8%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

In the July 1, 2013, actuarial valuation, the Projected Unit Credit Cost Method was used. The actuarial assumptions included a five percent investment rate of return, based on assumed long-term return on plan assets or employer assets, as appropriate. Healthcare cost trend rates were assumed at an initial rate of nine percent to an ultimate rate of five percent.

NOTE 13 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2014, the District participates in the Ventura County Schools Self-Funding Authority (VCSSFA) for property and liability insurance coverage. See Note 16 for more information on the VCSSFA. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation and Employee Medical Benefits

The District's workers' compensation and health and welfare benefits are recorded in the Internal Service Funds. The purpose of the fund is to administer workers' compensation, and employee medical benefit claims. The District has obtained insurance coverage that will cover claims within the following ranges to supplement its self-insurance program:

Workers' Compensation	\$650,000 per claim up to statutory limits
Medical and prescription drugs	\$260,000 per contract period per person

Claims Liabilities

The District records an estimated liability for workers' compensation, and health and welfare benefits claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2013 to June 30, 2014:

	Workers' Compensation	Health Care	Total
Liability Balance, July 1, 2012	\$ 5,656,397	\$ 2,046,389	\$ 7,702,786
Claims and changes in estimates	2,442,562	12,315,366	14,757,928
Claims payments	(1,248,365)	(12,315,366)	(13,563,731)
Liability Balance, June 30, 2013	6,850,594	2,046,389	8,896,983
Claims and changes in estimates	(785,421)	11,037,075	10,251,654
Claims payments	(1,065,078)	(11,037,075)	(12,102,153)
Liability Balance, June 30, 2014	<u>\$ 5,000,095</u>	<u>\$ 2,046,389</u>	<u>\$ 7,046,484</u>
Assets available to pay claims at June 30, 2014	<u>\$ 2,029,813</u>	<u>\$ 3,180,511</u>	<u>\$ 5,210,324</u>

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. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. 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, 100 Waterfront Place, West Sacramento, California 95605.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Funding Policy

Due to the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. 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 2013-2014 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, 2014, 2013, and 2012, were \$6,829,928, \$6,526,695, and \$6,660,843, 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. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. 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

As a result of the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. 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 2013-2014 was 11.442 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 ending June 30, 2014, 2013, and 2012, were \$2,524,102, \$2,419,289, and \$2,345,052, respectively, and equal 100 percent of the required contributions for each year.

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. Contributions made by the District and an employees are calculated according to Federal law.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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 \$4,483,572 (5.541 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS.). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. 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 reported 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, 2014.

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, 2014.

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

The District is a member of the Ventura County Schools Self-Funding Authority (VCSSFA) public entity risk pool. The District pays an annual premium to the VCSSFA for its property liability coverage. The relationship between the District and the pool is such that it is not a component unit of the District for financial reporting purposes.

This entity has 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 entity and the District are included in these statements. Audited financial statements are generally available from the respective entity.

During the year ended June 30, 2014, the District made payments of \$1,128,755 to VCSSFA for services received.

REQUIRED SUPPLEMENTARY INFORMATION

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
REVENUES				
Local Control Funding Formula	\$ 109,324,560	\$ 126,993,960	\$ 127,276,219	\$ 282,259
Federal sources	5,699,753	6,270,344	6,116,796	(153,548)
Other State sources	26,390,815	12,695,933	15,526,533	2,830,600
Other local sources	13,562,602	16,149,263	17,060,810	911,547
Total Revenues ¹	<u>154,977,730</u>	<u>162,109,500</u>	<u>165,980,358</u>	<u>3,870,858</u>
EXPENDITURES				
Current				
Certificated salaries	80,693,035	84,628,929	83,417,816	1,211,113
Classified salaries	21,745,106	22,362,721	24,495,538	(2,132,817)
Employee benefits	32,445,062	32,513,221	37,048,204	(4,534,983)
Books and supplies	10,350,046	12,907,761	5,968,801	6,938,960
Services and operating expenditures	12,854,132	15,063,322	15,011,912	51,410
Capital outlay	-	-	726,987	(726,987)
Other outgo	979,462	982,014	1,067,945	(85,931)
Debt service				
Principal	-	332,412	660,916	(328,504)
Total Expenditures ¹	<u>159,066,843</u>	<u>168,790,380</u>	<u>168,398,119</u>	<u>392,261</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,089,113)</u>	<u>(6,680,880)</u>	<u>(2,417,761)</u>	<u>4,263,119</u>
Other Financing Sources (Uses)				
Other sources	-	-	726,987	726,987
Transfers out	(5,000)	(305,297)	(201,338)	103,959
Net Financing Sources (Uses)	<u>(5,000)</u>	<u>(305,297)</u>	<u>525,649</u>	<u>830,946</u>
NET CHANGE IN FUND BALANCES	<u>(4,094,113)</u>	<u>(6,986,177)</u>	<u>(1,892,112)</u>	<u>5,094,065</u>
Fund Balance - Beginning	<u>12,243,311</u>	<u>12,243,311</u>	<u>12,243,311</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 8,149,198</u>	<u>\$ 5,257,134</u>	<u>\$ 10,351,199</u>	<u>\$ 5,094,065</u>

¹ On behalf payments of \$4,483,572 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**CAFETERIA FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
REVENUES				
Federal sources	\$ 2,107,645	\$ 2,137,720	\$ 2,438,080	\$ 300,360
Other State sources	160,000	170,000	170,334	334
Other local sources	1,987,898	2,030,498	1,998,494	(32,004)
Total Revenues	4,255,543	4,338,218	4,606,908	268,690
EXPENDITURES				
Current				
Classified salaries	1,953,972	1,926,507	1,888,842	37,665
Employee benefits	554,270	549,147	548,158	989
Books and supplies	1,755,000	1,787,523	1,679,917	107,606
Services and operating expenditures	131,000	179,000	183,121	(4,121)
Other outgo	-	-	243,259	(243,259)
Total Expenditures	4,394,242	4,442,177	4,543,297	(101,120)
Excess (Deficiency) of Revenues Over Expenditures	(138,699)	(103,959)	63,611	167,570
Other Financing Sources (Uses)				
Transfers in	-	103,959	-	(103,959)
NET CHANGE IN FUND BALANCES	(138,699)	-	63,611	63,611
Fund Balance - Beginning	58,725	58,725	58,725	-
Fund Balance - Ending	\$ (79,974)	\$ 58,725	\$ 122,336	\$ 63,611

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected 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)
June 30, 2008	\$ -	\$ 9,688,289	\$ 9,688,289	0%	\$ 112,278,996	8.6%
July 1, 2011	-	10,906,789	10,906,789	0%	112,058,468	9.7%
July 1, 2013	-	23,331,562	23,331,562	0%	112,308,502	20.8%

SUPPLEMENTARY INFORMATION

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Adult Education - Basic Grants to States Cluster			
Adult Basic Education - Adult Basic Education and ESL	84.002A	14508	\$ 119,542
Adult Basic Education - Adult Secondary	84.002	13978	26,402
Adult Basic Education - English Literacy and Civics Education	84.002A	14109	<u>104,060</u>
Total Adult Education - Basic Grants to States Cluster			<u>250,004</u>
Carl D. Perkins Vocational and Technical Education Act of 1998 Secondary Education	84.048	14894	96,780
Passed through Ventura County Special Education Local Plan Area:			
Individuals with Disabilities Act (IDEA)			
Special Education (IDEA) Cluster			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	3,211,268
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	63,645
Preschool Local Entitlement, Part B, Section 611 (Age 3-4-5)	84.027A	13682	<u>125,628</u>
Total Special Education (IDEA) Cluster			<u>3,400,541</u>
No Child Left Behind Act (NCLB)			
Title I, Part A Cluster			
Title I, Part A, Basic Grants Low-Income and Neglected - Reallocation Funds	84.010	14981	1,384,213
Title I, Part A, Program Improvement LEA Corrective Action, Minor Performance Problems	84.010	14957	<u>101,087</u>
Total Title I, Part A Cluster			<u>1,485,300</u>
U.S. DEPARTMENT OF EDUCATION			
Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program	84.330	14831	15,586
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	589,668
Title III Cluster			
Title III, Immigrant Education Program	84.365	15146	18,047
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	<u>180,100</u>
Total Title III Cluster			<u>198,147</u>
Total U.S. Department of Education			<u>6,036,026</u>

See accompanying note to supplementary information.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education (CDE):			
Child Nutrition Cluster			
Basic School Breakfast Program	10.553	13525	\$ 19,409
Especially Needy Breakfast	10.553	13526	460,386
National School Lunch Program	10.555	13524	1,691,264
Meal Supplement	10.555	13396	23,762
Food Distribution	10.555	13524	243,259
Total Child Nutrition Cluster			<u>2,438,080</u>
Total U.S. Department of Agriculture			<u>2,438,080</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medi-Cal Billing Option	93.778	10013	330,774
Total U.S. Department of Health and Human Services			<u>330,774</u>
Total Federal Programs			<u>\$ 8,804,880</u>

See accompanying note to supplementary information.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2014

ORGANIZATION

The Conejo Valley Unified School District was established on July 1, 1974, and consists of an area comprising approximately 139 square miles. The District operates 17 elementary schools, five middle schools, three high schools, a continuation high school, and an adult education program, an alternate education site, and a preschool program. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Peggy Buckles	President	December 2016
Dr. Betsy Connolly	Vice President	December 2016
Patricia Phelps	Clerk	December 2014
Timothy Stephens, Ed.D.	Member	December 2014
Mike Dunn	Member	December 2014

ADMINISTRATION

Jeffrey Baarstad, Ed.D.	Superintendent
Linda Bekeny	Assistant Superintendent, Business Services
Robert Iezza	Deputy Superintendent of Instruction, State and Federal Programs Coordinator
Mark McLaughlin	Assistant Superintendent, Personnel Services

See accompanying note to supplementary information.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2014**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	4,970.56	4,976.13
Fourth through sixth	4,196.27	4,196.55
Seventh and eighth	2,999.41	2,998.29
Ninth through twelfth	7,237.50	7,219.33
Total Regular ADA	<u>19,403.74</u>	<u>19,390.30</u>
Extended Year Special Education		
Transitional kindergarten through third	3.70	3.70
Fourth through sixth	4.50	4.50
Seventh and eighth	1.01	1.01
Ninth through twelfth	1.58	1.58
Total Extended Year Special Education	<u>10.79</u>	<u>10.79</u>
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	1.16	1.42
Seventh and eighth	0.86	0.91
Ninth through twelfth	8.93	9.34
Total Special Education, Nonpublic, Nonsectarian Schools	<u>10.95</u>	<u>11.67</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.03	0.03
Ninth through twelfth	0.97	0.97
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>1.00</u>	<u>1.00</u>
Total ADA	<u><u>19,426.48</u></u>	<u><u>19,413.76</u></u>

See accompanying note to supplementary information.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2014

Grade Level	1986-87	Reduced	2013-14 Actual Minutes	Number of Days		Status
	Minutes Requirement	1986-87 Minutes Requirement		Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	35,000	36,505	180	N/A	Complied
Grades 1 - 3	50,400	49,000				
Grade 1			50,640	180	N/A	Complied
Grade 2			50,670	180	N/A	Complied
Grade 3			50,670	180	N/A	Complied
Grades 4 - 6	54,000	52,500				
Grade 4			54,000	180	N/A	Complied
Grade 5			54,000	180	N/A	Complied
Grade 6			54,150	180	N/A	Complied
Grades 7 - 8	54,000	52,500				
Grade 7			56,252	180	N/A	Complied
Grade 8			55,723	180	N/A	Complied
Grades 9 - 12	64,800	63,000				
Grade 9			65,180	180	N/A	Complied
Grade 10			65,180	180	N/A	Complied
Grade 11			65,180	180	N/A	Complied
Grade 12			65,180	180	N/A	Complied

See accompanying note to supplementary information.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	<u>Internal Service Fund</u>
FUND BALANCE	
Balance, June 30, 2014, Unaudited Actuals	\$ (5,156,741)
Decrease in:	
Claims liabilities	656,303
Balance, June 30, 2014, Audited Financial Statement	<u>\$ (4,500,438)</u>

See accompanying note to supplementary information.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

	(Budget) 2015 ¹	2014	2013	2012
GENERAL FUND				
Revenues	\$ 162,105,325	\$ 165,980,358	\$ 158,334,407	\$ 159,720,420
Other sources and transfers in	-	726,987	1,361,139	4,000
Total Revenues and Other Sources	162,105,325	166,707,345	159,695,546	159,724,420
Expenditures	162,251,318	168,398,119	164,413,037	163,056,492
Other uses and transfers out	19,907	201,338	515,145	1,480,973
Total Expenditures and Other Uses	162,271,225	168,599,457	164,928,182	164,537,465
INCREASE (DECREASE) IN FUND BALANCE	\$ (165,900)	\$ (1,892,112)	\$ (5,232,636)	\$ (4,813,045)
ENDING FUND BALANCE	\$ 10,185,299	\$ 10,351,199	\$ 12,243,311	\$ 17,475,947
AVAILABLE RESERVES ²	\$ 4,868,155	\$ 4,959,154	\$ 8,989,279	\$ 14,424,887
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	3.00%	3.02%	5.59%	8.99%
LONG-TERM OBLIGATIONS	N/A	\$ 61,554,218	\$ 69,181,846	\$ 71,378,558
K-12 AVERAGE DAILY ATTENDANCE AT P-2	19,113	19,426	19,821	20,012

The General Fund balance has decreased by \$7,124,748 over the past two years. The fiscal year 2014-2015 budget projects a further decrease of \$165,900 (1.60 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 each of the past three years and anticipates incurring an operating deficit during the 2014-2015 fiscal year. Total long-term obligations have decreased by \$9,824,340 over the past two years.

Average daily attendance has decreased by 586 over the past two years. An additional decline of 313 ADA is anticipated during fiscal year 2014-2015.

¹ Budget 2015 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainty contained within the General Fund.

³ On behalf payments of \$4,483,572, \$4,222,755, and \$4,095,277, respectively, has been excluded from the calculation of available reserves for the fiscal years ending June 30, 2014, 2013, and 2012, respectively.

See accompanying note to supplementary information.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014**

	Adult Education Fund	Child Development Fund	Building Fund
ASSETS			
Deposits and investments	\$ 244,294	\$ 876,081	\$ 103,032
Receivables	194,003	11,969	118
Due from other funds	-	62,331	3,342
Total Assets	<u>\$ 438,297</u>	<u>\$ 950,381</u>	<u>\$ 106,492</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 222,623	\$ 55,329	\$ 26,504
Due to other funds	183	55,667	79,988
Unearned revenue	-	161,487	-
Total Liabilities	<u>222,806</u>	<u>272,483</u>	<u>106,492</u>
Fund Balances:			
Restricted	-	677,898	-
Committed	215,491	-	-
Total Fund Balances	<u>215,491</u>	<u>677,898</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 438,297</u>	<u>\$ 950,381</u>	<u>\$ 106,492</u>

See accompanying note to supplementary information.

Capital Facilities Fund	Total Non-Major Governmental Funds
\$ 1,055,069	\$ 2,278,476
810	206,900
-	65,673
<u>\$ 1,055,879</u>	<u>\$ 2,551,049</u>
\$ 17,723	\$ 322,179
-	135,838
-	161,487
<u>17,723</u>	<u>619,504</u>
1,038,156	1,716,054
-	215,491
<u>1,038,156</u>	<u>1,931,545</u>
<u>\$ 1,055,879</u>	<u>\$ 2,551,049</u>

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014**

	Adult Education Fund	Child Development Fund	Building Fund
REVENUES			
Local Control Funding Formula	\$ 1,545,159	\$ -	\$ -
Federal sources	250,004	-	-
Other State sources	2,028	-	-
Other local sources	2,414,946	4,739,425	774
Total Revenues	4,212,137	4,739,425	774
EXPENDITURES			
Current			
Instruction	3,758,536	-	-
Instruction-related activities:			
School site administration	496,476	-	-
Pupil services:			
All other pupil services	57,884	-	-
Administration:			
All other administration	181,294	315,030	-
Plant services	206,232	11,442	-
Facility acquisition and construction	63,219	-	482,302
Enterprise services	-	4,160,630	-
Total Expenditures	4,763,641	4,487,102	482,302
Excess (Deficiency) of Revenues Over Expenditures	(551,504)	252,323	(481,528)
OTHER FINANCING SOURCES			
Transfers in	5,000	-	-
NET CHANGE IN FUND BALANCES	(546,504)	252,323	(481,528)
Fund Balances - Beginning	761,995	425,575	481,528
Fund Balances - Ending	\$ 215,491	\$ 677,898	\$ -

See accompanying note to supplementary information.

Capital Facilities Fund	Total Non-Major Governmental Funds
\$ -	\$ 1,545,159
-	250,004
-	2,028
<u>1,053,333</u>	<u>8,208,478</u>
<u>1,053,333</u>	<u>10,005,669</u>
-	3,758,536
-	496,476
-	57,884
58,997	555,321
-	217,674
218,281	763,802
-	4,160,630
<u>277,278</u>	<u>10,010,323</u>
<u>776,055</u>	<u>(4,654)</u>
-	5,000
776,055	346
262,101	1,931,199
<u>\$ 1,038,156</u>	<u>\$ 1,931,545</u>

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

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.

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.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirements, 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.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

Non-Major Governmental Funds - Combining 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 are 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.

INDEPENDENT AUDITOR'S REPORTS



**INDEPENDENT AUDITOR'S 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
Conejo Valley Unified School District
Thousand Oaks, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Conejo Valley Unified School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Conejo Valley Unified School District's basic financial statements, and have issued our report thereon dated December 11, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies as items 2014-001 and 2014-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Conejo Valley Unified School District's financial statements are free from 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 Conejo Valley Unified School District in a separate letter dated December 11, 2014.

Conejo Valley Unified School District's Response to Findings

Conejo Valley Unified School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Conejo Valley Unified School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 11, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Governing Board
Conejo Valley Unified School District
Thousand Oaks, California

Report on Compliance for Each Major Federal Program

We have audited Conejo Valley Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Conejo Valley Unified School District's (the District) major Federal programs for the year ended June 30, 2014. Conejo Valley Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Conejo Valley Unified School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Conejo Valley Unified School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Conejo Valley Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Conejo Valley Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Conejo Valley Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Conejo Valley Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Conejo Valley 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 11, 2014



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Conejo Valley Unified School District
Thousand Oaks, California

Report on State Compliance

We have audited Conejo Valley Unified School District's compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2013-2014* that could have a direct and material effect on each of the Conejo Valley Unified School District's State government programs as noted below for the year ended June 30, 2014.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Conejo Valley Unified School District's State programs based on our audit of the types of compliance requirements referred to above. 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 2013-2014*. These standards 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 Conejo Valley 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 Conejo Valley Unified School District's compliance with those requirements.

Unmodified Opinion on Each of the Programs

In our opinion, Conejo Valley 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, 2014.

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

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
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	Yes, See Below
Instructional Time:		
School Districts	10	Yes
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Not Applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous Records of Attendance	8	Not Applicable
Mode of Instruction	1	Not Applicable
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
Charter School Facility Grant Program	1	Not Applicable

We did not perform testing for Independent Study because the ADA was below the level required for testing. Additionally, we did not perform procedures specific to the Work Experience Program as the District does not operate this program.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 11, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2014**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

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

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>
<u>93.778</u>	<u>Medi-Cal Billing Option</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 auditor's report issued on compliance for programs:	<u>Unmodified</u>
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CONEJO VALLEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

The following findings represent significant deficiencies, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
30000	Internal Control

2014-001 30000 – Fiscal Condition (Internal Service Fund Deficit Net Position)

Significant Deficiency

Criteria or Specific Requirements

Industry standards and best business practices related to accounting and internal control require that an entity adopt, implement, and monitor procedures that will allow for timely and accurate reporting of financial information to management and those charged with governance.

Condition

The District has established an Internal Service Fund to account for Workers' Compensation and Health and Welfare expenses and related costs associated with District employees. At June 30, 2014, the Internal Service Fund has a deficit net position balance in the amount of \$4,500,438. The financial statement impact of this situation is that the Internal Service Fund is operating on a cash basis whereby the cash received from the other funds are enough to cover its current cash outflows.

Questioned Costs

There were no questioned costs associated with the condition found.

Context

The conditions identified were determined through review of the District Internal Service Fund financial statements, fund balance, and current year activity related to the workers' compensation and Health and Welfare accounts.

Effect

There currently is no direct effect on the District other than the reporting of a deficit net position within the Worker's Compensation and Health and Welfare Funds. The Internal Service Fund is operating on a cash basis whereby the cash received from the other funds are enough to cover its current cash outflows.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

Cause

The District's premium contributions while being sufficient to pay ongoing costs related to the District's Workers' Compensation and Health and Welfare expenses and related costs associated with District employees has not been enough to cover the outstanding liability for future claims.

Recommendation

The District must continue to evaluate its ability to fund its Workers' Compensation and Health and Welfare programs on an accrual basis within a reasonable period. Accordingly, the District's premium contribution should continue to increase.

Corrective Action Plan

The District has worked diligently to restructure the Health and Welfare benefit program to build reserves. This has resulted in significant improvement to the fund balance.

2014-002 30000 – Fiscal Condition (Deficit Spending-Cafeteria Fund)

Significant Deficiency

Criteria or Specific Requirements

Industry standards and best business practices related to accounting and internal control require that an entity adopt, implement, and monitor procedures that will allow for timely and accurate reporting of financial information to management and those charged with governance.

Condition

The Cafeteria Fund has incurred operating deficits in four of the past five years in the amounts of \$328,099, \$309,280, \$89,570, and \$10,965, for the fiscal years ending June 30, 2013, 2012, 2011, and 2010, respectively and an operating surplus occurring in the current fiscal year in the amount of \$63,611. The practice of deficit spending has lowered the Cafeteria Fund balance to levels that have attributed to the Cafeteria Fund encroaching on the General Fund to maintain daily operations.

Questioned Costs

There were no questioned costs associated with the condition found.

Context

The conditions identified were determined through review of the District Cafeteria Fund financial statements, fund balance, and current year activity.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

Effect

The inability to reduce expenditures to a level more in line with the decrease in revenues seen over the past few years could result in the District General Fund being unable to meet its reserve requirement in future years, due in part to the encroachment from the Cafeteria Fund operations.

Cause

The practice of deficit spending has lowered the Cafeteria Fund balance to levels that have attributed to the Cafeteria Fund encroaching on the General Fund to maintain daily operations.

Recommendation

The District must continue to evaluate its Cafeteria operations to decrease the deficit in future years so that the fund will no longer continue to encroach on the General Fund of the District.

Corrective Action Plan

The operation of the Cafeteria Fund is closely monitored and corrective actions implemented when deficiencies are identified.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
30000	Internal Control

2013-1 30000

SIGNIFICANT DEFICIENCY – INTERNAL SERVICE FUND DEFICIT NET POSITION

Findings

Industry standards and best business practices related to accounting and internal control require that an entity adopt, implement, and monitor procedures that will allow for timely and accurate reporting of financial information to management and those charged with governance.

The District has established an Internal Service Fund to account for Workers' Compensation and Health and Welfare expenses and related costs associated with District employees. At June 30, 2013, the Internal Service Fund has a deficit net position balance in the amount of \$8,111,282. The financial statement impact of this situation is that the Internal Service Fund is operating on a cash basis whereby the cash received from the other funds are enough to cover its current cash outflows. As a result, the District is not projected to significantly reduce this deficit in the upcoming year.

Recommendation

The District must continue to evaluate its ability to fund its Workers' Compensation and Health and Welfare programs on an accrual basis within a reasonable period. Accordingly, the District's premium contribution should continue to increase.

Current Status

Not implemented, see current year finding 2014-001.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

2013-2 30000

***SIGNIFICANT DEFICIENCY – BUDGET MONITORING/DEFICIT SPENDING
(CAFETERIA FUND)***

Findings

Industry standards and best business practices related to accounting and internal control require that an entity adopt, implement, and monitor procedures that will allow for timely and accurate reporting of financial information to management and those charged with governance.

The Cafeteria Fund has incurred operating deficits in each of the past four years in the amounts of \$328,099, \$309,280, \$89,570, and \$10,965, for the fiscal years ending June 30, 2013, 2012, 2011, and 2010, respectively. The Cafeteria Fund balance has decreased during that time to a current fund balance of \$58,725 of which the entire amount is stores inventory. The practice of deficit spending has lowered the Cafeteria Fund balance to levels that have attributed to the Cafeteria Fund encroaching on the General Fund to maintain daily operations. The financial statement impact of this situation is that the Cafeteria Fund is currently operating at a deficit and in the current year the Cafeteria Fund has encroached on the General Fund in the amount of \$328,099. If the Cafeteria Fund continues the current trend of deficit spending through operations, the 2013-2014 fiscal year encroachment is estimated in excess of \$350,000.

Recommendation

The District must continue to evaluate its Cafeteria operations to decrease the deficit in future years so that the fund will no longer continue to encroach on the General Fund of the District.

Current Status

Partially implemented, see current year finding 2014-002.



Governing Board
Conejo Valley Unified School District
Thousand Oaks, California

In planning and performing our audit of the financial statements of Conejo Valley Unified School District (the District), for the year ended June 30, 2014, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities 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 11, 2014 on the government-wide financial statements of the District.

SITE CASH COLLECTIONS

Conejo Elementary School

Inadequate Safeguarding of Cash

Observation

There appears to be inadequate safeguarding of cash collections because the cabinet where funds are collected is not locked during business hours and other employees have access to the cabinet.

Recommendation

Due to the potential for abuse with cash collections, the deposits should be maintained in an adequately secured or locked area or box.

Lang Ranch Elementary School

Timely Deposits

Observation

The school site is not depositing funds to the District in a timely matter.

Recommendation

Site cash collections should be transmitted to the District Office on a regular basis. The frequency would depend on the amount on hand, but at least monthly.

Sequoia Middle School

Cash Receipting

Observation

Cash collections are not being receipted at the time of collection. As a result, sufficient controls do not exist with regards to cash collections, since funds on hand, if lost or stolen, could not be verified.

Recommendation

To strengthen the procedures over cash collections, all cash should be verified and receipted at the time of or very soon after the money is collected. This procedure prevents and avoids any dispute over the amount of cash submitted by the person turning in the funds to the office. The immediate receipting process is also a tool to reconcile the cash awaiting deposit to the receipts issued since the last deposit. The current system would not disclose that funds have been misplaced or stolen since the cash on hand at the date of the deposit would be the only funds receipted.

Comingling of Funds

Observation

The Library collects money on behalf of the District for lost and damaged books. However, we noted that it is also being used to purchase office supplies and books, which are District expenditures.

Recommendation

As the expenditures for office supplies and books belong to the District, so do the monies collected from students for lost and damaged books. These funds should be tracked and receipted into a separate receipt book and the money forwarded along with a recap of the corresponding receipts. Purchases of replacement books and office supplies should not be run through the cash collected for lost and damaged books but should be processed through the Districts normal purchasing procedures.

ASSOCIATED STUDENT BODY ACCOUNTS (ASB)

Sequoia Middle School

Council Minutes

Observation

The Student Body disbursements are not being approved by Student Body council prior to purchases due to lack of meetings. Currently, Student Body council only meets on a quarterly basis. Without the control document of a purchase request form, club spending might deplete the group account causing deficit spending.

Recommendation

In order to approve disbursements before they are made, Student Body council meetings should be held on a weekly basis. All payments made using ASB funds must be approved prior to the actual purchase and should be accompanied by a purchase order where applicable, and signed receiving documentation. This reduces the risk of unauthorized spending. Purchase orders provide clubs with documentation of items requested that can then be checked to the check stubs to determine the accuracy and completeness, giving the clubs better control over their spending and inventory.

Timely Deposits

Observation

Deposits for student store sales are not being made timely by the site bookkeeper. This results in large cash balances being maintained at the site which severely decreases the safeguarding of the asset.

Recommendation

At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity there may be a need to make more than one deposit. The District should establish guidelines for this procedure including the maximum cash on hand that should be maintained at the site. The ultimate responsibility, however, will reside with the site bookkeeper to make the deposits timely.

Colina Middle School

Master Ticket Log

Observation

A master ticket log is not being used by the sites to account for all tickets on hand and used during the year. In addition, a ticket sale recap form is not prepared which calculates the number of tickets sold and the total revenue generated based on the selling price per ticket.

Recommendation

A master ticket log should be maintained which notes the type of ticket, color, and current beginning ticket number in the role. The tickets should be safeguarded as if they were cash because stolen tickets would equate to lost revenue for the site because these tickets could be presented for admission rather than an individual paying for admission. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the form should be reconciled to the log.

Inventory Listing

Observation

The student store does not maintain an inventory of the merchandise sold; therefore no accountability exists for the inventory.

Recommendation

According to the policies and procedures outlined in the "Accounting Procedures for Student Body Organizations", prepared by the California Department of Education, a physical inventory should be taken quarterly under supervision of the student store advisor. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been lost or stolen.

Cash Count Sheet / Ticket Sale Forms

Observation

Cash deposits forwarded from teachers or advisors to the associated student body bookkeeper, accompanied by a cash count sheet, or ticket sale form documenting the total deposit, are not recounted and verified by the student body bookkeeper as evidenced by lack of signatures.

Recommendation

The cash count sheet and ticket sale forms serves the same purpose as a bank deposit slip, it provides for a reconciliation process since the deposit is usually not verified with both parties present. A difference between the bookkeepers count and the teacher or advisor's count would warrant a recount with both parties present. This procedure decreases the number of disputes arising from deposits processed incorrectly.

Westlake High School

Deficit Account Balances

Observation

In reviewing the financial statements for the student body accounts we noted that four accounts had negative balances. Since the student body accounts represent individual portions of the cash and asset pool, by some having negative balances, they have in actuality spent the available funds of other accounts. A key control in any internal control system is the control of expenditures by ensuring the expenditure is allowable and that the account requesting the expenditure has the funds to cover it. This control feature has not been sufficiently followed.

Recommendation

The site bookkeeper has a fiduciary responsibility to all student body organizations to act in each group's best interest. By allowing certain clubs to spend in excess of their available reserves, the bookkeeper is not meeting this responsibility to the other clubs and organizations. Request for disbursements from student groups should be reviewed for appropriateness and also to ensure that funds are available in the groups account.

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 11, 2014