LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

AUDIT REPORT

For the Fiscal Year Ended June 30, 2013

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2013
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INDEPENDENT AUDITORS' REPORT

Board of Education
Livermore Valley Joint Unified School District
Livermore, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Livermore Valley Joint Unified School District, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-13.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Livermore Valley Joint Unified School District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

JEFF NIGRO, CPA, CFE • ELIZABETH NIGRO, CPA • CJ GAUNDER, CPA • KEVIN BREJNAK, CPA, CFE
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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11, budgetary comparison information on page 42, and schedule of funding progress on page 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Livermore Valley Joint Unified School District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 3, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Nigro+Nigro, PC

December 3, 2013

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the District for the year ended June 30, 2013. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 34 (Basic Financial Statements – and Management's Discussion and Analysis – for the State and Local Governments) issued June 1999. Certain comparative information between the current and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

This section provides an overview of the District's financial activities.

- The District ended the 2012-13 fiscal year with a General Fund ending balance of approximately $7.16 million. Of this amount, $1.74 million is from restricted programs to be used in 2013/14 and $1.16 million is committed for revolving cash, stores inventory, and encumbered expenses. The remaining $4.26 million has been designated as a reserve for economic uncertainties by the Board of Education.

- Beginning in 2013/14, the State enacted the Local Control Funding Formula to replace the Revenue Limit. The District is optimistic that this formula will eventually bring in much needed funds for our programs to enhance student achievement.

- The District's largest operating expenditures are salaries and benefits. The District has settled a three year contract for 2011-2014 with all bargaining units.

FUND FINANCIAL STATEMENTS

The District tracks revenue and expenditures for accounting purposes through thirteen active funds. Some funds are required by bond covenants and by State law and other funds are established by the District to control and manage a variety of activities for particular purposes, such as repaying its long-term debts. The detailed information about the most significant funds is provided in the fund financial statements.

The District maintains three classes of funds:

1. **Governmental funds**: Most of the District's basic services are included in governmental funds, which include the General Fund, the Building Fund, the Capital Facilities Fund, and the Bond Interest and Redemption Fund. These funds generally focus on how cash and other financial assets can readily be converted to cash flow (in and out) and the balances left at year-end that are available for spending in subsequent years. Consequently, the governmental funds statements provide a detailed short-term view that helps in the determination of whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.

FUND FINANCIAL STATEMENTS (continued)

2. **Proprietary funds:** The proprietary fund category includes Enterprise and Internal Service Funds. The Internal Service funds report activities that provide supplies and services for other programs and activities of the District. The District has no Enterprise funds. Proprietary funds are reported in the same way as the district-wide statements. Currently, the District has one internal service fund—the Property Self-Insurance Fund.

3. **Fiduciary funds:** The fiduciary funds record assets that are not technically the property of the District, such as scholarship funds and student activities funds. In this category, the District has several Student Body Funds and one Scholarship Fund. The District, as trustee or fiduciary, is responsible by law for ensuring that these funds are used only for their intended purpose and by those to whom the assets belong. The District reports the activity in each fund in a separate statement of net position. The transactions in these funds are excluded from the district-wide financial statements because the assets are unavailable for use by the District.

STATEMENT OF NET POSITION

The Statement of Net Position presents the assets and liabilities of the District as of the end of the fiscal year. It is prepared using the accrual basis of accounting, which is similar to that used by most private-sector businesses. The Statement of Net Position is a "point in time" financial statement. Its purpose is to present to the readers a fiscal snapshot of the District. The Statement of Net Position presents end-of-year data for assets (current and non-current), liabilities (current and non-current) and net position (assets minus liabilities).

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the District. Readers are also able to determine the amount owed by the District to vendors and employees. Finally, the Statement of Net Position provides a picture of the net position and the availability of those assets for expenditure.

The difference between total assets and total liabilities (net position) is one indicator of the current financial condition of the District. The change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. In this regard, assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense.

The net position is presented in two major categories. The first category provides the information in regards to equity amounts in property, plant, and equipment owned by the District. The second category provides information on unrestricted net position that is available for obligations as may be approved by the Board of Education.

STATEMENT OF NET POSITION (continued)

The Statement of Net Position as of June 30, 2012 and June 30, 2013 is summarized below:

	2012	2013
Assets		
Cash [1]	$ 25,184,929	$ 29,720,601
Accounts receivable and prepaid expenditures	22,257,609	13,196,013
Stores inventories	251,812	199,041
Net OPEB asset	1,511,292	1,521,976
Unamortized debt issuance costs	373,926	348,997
Deferred charges on refunding	1,436,949	1,341,152
Capital assets, net	152,083,946	147,563,285
Total Assets	203,100,463	193,891,065
Liabilities		
Long-term liabilities	100,606,735	95,571,836
Other liabilities	11,479,623	11,008,932
Total Liabilities	112,086,358	106,580,768
Net Position		
Net investment in capital assets	60,878,598	60,990,862
Restricted	16,946,127	18,212,774
Unrestricted	13,189,380	8,106,661
Total Net Position	$ 91,014,105	$ 87,310,297

[1] Includes bond funds on deposit with the Alameda County Treasurer.

- Cash is invested with the Alameda County Treasury as is explained in the notes accompanying the financial statements.
- Accounts receivable are primarily amounts due from State and Federal government for the operation of categorical programs.
- Other liabilities consist of accounts payable to vendors, payroll and related expenses as well as revenues for categorical programs deferred to the next fiscal year.

STATEMENT OF ACTIVITIES

Changes in total net position, as presented on the Statement of Net Position, are based on the activity presented in the Statement of Activities. The purpose of this statement is to present the total revenues earned, whether received or not and the total expenses incurred, whether paid or not, by all the District's governmental funds. Thus, this Statement presents the District's results of operations in all governmental and proprietary funds.

The Statement of Activities for the year ended June 30, 2012 and for the year ended June 30, 2013 is summarized below:

	2012	2013
Revenues		
Program revenues:		
Charges for services	$ 540,401	$ 182,145
Operating grants and contributions	18,163,915	19,233,327
General revenues:		
Property taxes	48,822,590	52,267,957
Grants, subsidies and contributions unrestricted	41,352,069	38,947,093
Interest and investment earnings	109,412	80,403
Transfers from other agencies	546,811	479,613
Other	4,311,912	4,321,255
Total revenues	113,847,110	115,511,793
Expenses		
Instruction	66,878,852	67,910,906
Instruction related services	12,217,467	12,174,168
Pupil services	9,853,506	10,586,466
Ancillary services	797,053	937,515
Community services	107,522	104,362
General administration	5,532,857	5,120,771
Plant services	11,365,699	11,200,914
Transfers between agencies	2,551,435	2,327,182
Other outgo and debt service	4,113,786	3,967,960
Depreciation (unallocated)	4,927,390	4,885,357
Total expenses	118,345,567	119,215,601
Increase (decrease) in Net Position	(4,498,457)	(3,703,808)
Net Position, Beginning of Year	95,512,562	91,014,105
Net Position, End of Year	$ 91,014,105	$ 87,310,297

GENERAL FUND BUDGET

During the fiscal year, the Board of Education authorized revisions to the original budget to take account of differences in actual expenditures. A summary budgetary comparison schedule for the General Fund is presented on page 42.

Variations between the original and final budget amounts were primarily due to carryover of unspent dollars and new funding for categorical programs. These amounts were unknown at the time the original budget was adopted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2013, the District had $147.6 million invested in net capital assets, primarily related to land, buildings, and other capital improvements.

Note 6 to the financial statement provides additional information on capital assets. A summary of capital assets, net of depreciation, is presented below:

	2012	2013
Land	$ 7,758,228	$ 7,758,228
Site Improvements	11,665,877	10,560,675
Building and Improvements	131,726,751	128,056,870
Machinery and Equipment	323,201	271,000
Construction in Progress	609,889	916,512
Net capital assets	$ 152,083,946	$ 147,563,285

Debt Administration

Note 7 to the financial statement provides additional information on outstanding debt. A summary of the District's outstanding debt at year-end is presented below:

	2012	2013
General Obligation Bonds	$ 97,990,000	$ 93,010,000
Unamortized Premium	1,547,113	1,453,359
Compensated Absences	1,069,622	1,108,477
Net capital assets	$ 100,606,735	$ 95,571,836

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

Projected Student Average Daily Attendance (ADA)

District ADA is projected to increase from 2011-12. Actual day 14 enrollment in 2012-13 was 12,665 including students in special education classes.

Year	P2 ADA	Percent Growth %
1998-99 (actual)	12,758	1.17%
1999-00 (actual)	12,987	1.77%
2000-01 (actual)	13,335	2.53%
2001-02 (actual)	13,344	.07%
2002-03 (actual)	13,509	1.22%
2003-04 (actual)	13,616	.79%
2004-05 (actual)	13,425	(1.40%)
2005-06 (actual)	12,891	(3.98%)
2006-07 (actual)	12,917	.20%
2007-08 (actual)	12,705	(1.70%)
2008-09 (actual)	12,637	(0.54%)
2009-10 (actual)	12,375	(2.07%)
2010-11 (actual)	12,326	(0.39%)
2011-12 (actual)	12,349	.19%
2012-13 (actual)	12,227	(0.99%)
2013-14 (estimate)	12.095	(0.99%)

Note: The above figures reflect total District P2 ADA, with the exception of Adult Ed and ROP.

Budget Overview

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

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

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

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

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE (continued)

Major Spending Changes

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

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

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

LCFF for School Districts and Charter Schools

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

Deferral Paydowns

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

Common Core Implementation

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

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE (continued)

Proposition 39
Passed by the voters in November 2012, Proposition 39 increases state corporate tax revenues and requires for a five–year period, starting in 2013–14, that a portion of these revenues be used to improve energy efficiency and expand the use of alternative energy in public buildings.

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

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

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

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

Parcel Tax
Livermore Community approved the Measure M parcel tax in November 2008. It is a continuation and increase to the prior Measure D parcel tax of $120 to $138. The income from this tax retains programs that were previously cut to maintain the fiscal health of the District. Beginning 2010-11 and continuing through 2014-15, the parcel tax is providing:

- Smaller class sizes in grades K, 2, & 3 (District already pays for first grade)
- Additional class sections to middle and high schools
- Two counselors for each of the comprehensive high schools
- Two periods of science per week taught by a science specialist in grades 1-5
- Four class sections of electives to each middle school
- Funding for instructional technology and infrastructure

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE (continued)

Charter School

Livermore Valley Charter School was approved by the State to open for the 2005-06 school year. The State also approved the Livermore Valley Charter Preparatory High School which opened in 2010-11. The State provides fiscal oversight for the high school while the District now has oversight over the K-8 school.

All of these factors were considered in preparing the Livermore Valley Joint Unified School District budget for the 2013-14 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the community, investors, creditors, etc. with a general overview of the District's financial condition and to show the District's accountability for the funding it receives. If you have questions regarding this report or need additional financial information, contact Susan Kinder, Chief Business Official, Livermore Valley Joint Unified School District, 685 E. Jack London Blvd., Livermore CA 94551.

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Statement of Net Position
June 30, 2013

	Total Governmental Activities
ASSETS	
Current assets:	
Cash	$ 29,720,601
Accounts receivable	13,195,863
Prepaid expenses	150
Inventories	199,041
Total current assets	43,115,655
Non-current assets:	
Net OPEB asset	1,521,976
Unamortized debt issuance costs	348,997
Deferred amount on refunding	1,341,152
Total non-current assets	3,212,125
Capital assets:	
Non-depreciable capital assets	8,674,740
Depreciable capital assets	192,040,932
Less accumulated depreciation	(53,152,387)
Total capital assets, net of depreciation	147,563,285
Total assets	193,891,065
LIABILITIES	
Current liabilities:	
Accounts payable	9,447,807
Deferred revenue	1,561,125
Total current liabilities	11,008,932
Long-term liabilities:	
Due or payable within one year	5,073,754
Due or payable after one year	90,498,082
Total long-term liabilities	95,571,836
Total liabilities	106,580,768
NET POSITION	
Net investment in capital assets	60,990,862
Restricted for:	
Capital projects	8,380,800
Debt service	7,172,399
Categorical programs	2,659,575
Unrestricted	8,106,661
Total Net Position	$ 87,310,297

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities				
Instructional Services:				
Instruction	$ 67,910,906	$ 127,329	$ 11,300,170	$ (56,483,407)
Instruction-Related Services:				
Supervision of instruction	2,423,356	11,752	1,176,672	(1,234,932)
Instructional library, media and technology	2,520,254	411	71,334	(2,448,509)
School site administration	7,230,558	132	21,141	(7,209,285)
Pupil Support Services:				
Home-to-school transportation	1,413,189	-	460,687	(952,502)
Food services	3,093,470	-	1,825,825	(1,267,645)
All other pupil services	6,079,807	27,651	2,063,712	(3,988,444)
General Administration Services:				
Data processing services	321,209	-	-	(321,209)
Other general administration	4,799,562	2	197,966	(4,601,594)
Plant services	11,200,914	11	1,531	(11,199,372)
Ancillary services	937,515	65	200,972	(736,478)
Community services	104,362	-	-	(104,362)
Transfers between agencies	2,327,182	-	-	(2,327,182)
Interest on long-term debt	3,943,031	-	-	(3,943,031)
Debt issuance costs and discounts	24,929	-		(24,929)
Other outgo	-	14,792	1,913,317	1,928,109
Depreciation (unallocated)	4,885,357	-	-	(4,885,357)
Total Governmental Activities	$ 119,215,601	$ 182,145	$ 19,233,327	(99,800,129)

General Revenues:	
Property taxes	52,267,957
Federal and state aid not restricted to specific purpose	38,947,093
Interest and investment earnings	80,403
Interagency revenues	479,613
Miscellaneous	4,321,255
Total general revenues	96,096,321
Change in net position	(3,703,808)
Net position - July 1, 2012	91,014,105
Net position - June 30, 2013	$ 87,310,297

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

Balance Sheet – Governmental Funds

June 30, 2013

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash	$ 11,211,654	$ 1,151,130	$ 5,314,795	$ 7,168,012	$ 3,900,980	$ 28,746,571
Accounts receivable	12,731,019	2,314	68,796	4,387	388,905	13,195,421
Due from other funds	-	7,000,000	-	-	-	7,000,000
Inventories	143,592	-	-	-	55,449	199,041
Prepaid expenditures	150	-	-	-	-	150
Total Assets	$ 24,086,415	$ 8,153,444	$ 5,383,591	$ 7,172,399	$ 4,345,334	$ 49,141,183
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	$ 7,142,257	$ 262,508	$ 44,184	$ -	$ 116,265	$ 7,565,214
Due to other funds	7,000,000	-	-	-	-	7,000,000
Deferred revenue	1,481,229	-	-	-	79,896	1,561,125
Total Liabilities	15,623,486	262,508	44,184	-	196,161	16,126,339
Fund Balances						
Nonspendable	193,742	-	-	-	55,449	249,191
Restricted	1,735,065	7,890,936	5,339,407	7,172,399	3,965,903	26,103,710
Assigned	2,278,144	-	-	-	127,821	2,405,965
Unassigned	4,255,978	-	-	-	-	4,255,978
Total Fund Balances	8,462,929	7,890,936	5,339,407	7,172,399	4,149,173	33,014,844
Total Liabilities and Fund Balances	$ 24,086,415	$ 8,153,444	$ 5,383,591	$ 7,172,399	$ 4,345,334	$ 49,141,183

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

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

Total fund balances - governmental funds		$ 33,014,844
Capital assets used in *governmental activities* are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is $200,715,672, and the accumulated depreciation is $53,152,387.		147,563,285
In government funds, interest on long term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(1,636,133)
In governmental funds, other postemployment benefits (OPEB) costs are recognized as expeditures in the period they are paid. In the government-wide statements, OPEB costs are recognized in the period that they are incurred. The net OPEB asset at the end of the period was:		1,521,976
In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included on the statement of net position are:		348,997
In governmental funds, deferred amounts on debt refundings are recognized as an asset and amortized over the life of the defeased debt. Unamortized deferred amounts included on the statement of net position are:		1,341,152
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
General obligation bonds payable	93,010,000	
Unamortized premium	1,453,359	
Compensated absences payable	1,108,477	(95,571,836)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:		728,012
Total net position - governmental activities		$ 87,310,297

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

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

REVENUES	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenue limit sources	$ 65,946,528	$ -	$ -	$ -	$ -	$ 65,946,528
Federal sources	6,134,044	-	-	-	1,772,016	7,906,060
Other state sources	15,891,455	-	-	79,373	771,631	16,742,459
Other local sources	13,022,071	23,980	1,718,215	8,737,396	1,415,339	24,917,001
Total Revenues	100,994,098	23,980	1,718,215	8,816,769	3,958,986	115,512,048
EXPENDITURES						
Current:						
Instruction	67,807,246	-	-	-	113,908	67,921,154
Instruction-Related Services:						
Supervision of instruction	2,423,666	-	-	-	-	2,423,666
Instructional library, media and technology	2,520,556	-	-	-	-	2,520,556
School site administration	7,095,261	-	-	-	132,569	7,227,830
Pupil Support Services:						
Home-to-school transportation	1,413,194	-	-	-	-	1,413,194
Food services	-	-	-	-	3,093,979	3,093,979
All other pupil services	6,080,585	-	-	-	-	6,080,585
Ancillary services	937,535	-	-	-	-	937,535
Community services	104,373	-	-	-	-	104,373
General Administration Services:						
Data processing services	321,209	-	-	-	-	321,209
Other general administration	4,716,629	-	-	-	-	4,716,629
Plant services	10,702,770	-	-	-	20,193	10,722,963
Transfers of indirect costs	(162,720)	-	-	-	162,720	-
Capital outlay	-	464,809	378,768	-	-	843,577
Intergovernmental transfers	1,834,727	-	-	-	492,456	2,327,183
Debt Service:						
Principal	-	-	-	4,980,000	-	4,980,000
Interest	-	-	-	4,000,531	-	4,000,531
Total Expenditures	105,795,031	464,809	378,768	8,980,531	4,015,825	119,634,964
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,800,933)	(440,829)	1,339,447	(163,762)	(56,839)	(4,122,916)
OTHER FINANCING SOURCES (USES)						
Interfund transfers in	11,234	-	-	-	-	11,234
Interfund transfers out	-	-	(702)	-	(10,532)	(11,234)
Total Other Financing Sources and Uses	11,234	-	(702)	-	(10,532)	-
Net Change in Fund Balances	(4,789,699)	(440,829)	1,338,745	(163,762)	(67,371)	(4,122,916)
Fund Balances, July 1, 2012	13,252,628	8,331,765	4,000,662	7,336,161	4,216,544	37,137,760
Fund Balances, June 30, 2013	$ 8,462,929	$ 7,890,936	$ 5,339,407	$ 7,172,399	$ 4,149,173	$ 33,014,844

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

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

Total net change in fund balances - governmental funds		$	(4,122,916)
Amounts reported for governmental *activities* in the statement of activities are different because:			
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:			
Expenditures for capital outlay	364,696		
Depreciation expense	(4,885,357)		
Net:			(4,520,661)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.			4,980,000
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period, but owing from the prior period, is:			59,542
In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of premium for the period is:			93,754
In governmental funds, other postemployment benefits (OPEB) costs are recognized as expenditures in the period they are paid. In the government-wide statements, OPEB costs are recognized in the period that they are incurred. The increase in the net OPEB asset at the end of the period was:			10,684
In the statement of activities, certain operating expenses such as compensated absences, are measured by the amounts *earned* during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation leave earned exceeded the amounts paid by:			(38,855)
In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:			(24,929)
The amounts paid to the refunded bond escrow agent in excess of the refunded bond at the time of payment are recorded as deferred charges on the refunding and are amortized over the life of the liability. Amortization of the deferred charges in the current year was:			(95,797)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental activities in the statement of activities. The net increase or decrease in internal service funds was:			(44,630)
Change in net position of governmental activities		$	(3,703,808)

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2013

	Governmental Activities Internal Service Fund
ASSETS	
Cash	$ 974,030
Accounts receivable	442
Total Assets	974,472
LIABILITIES	
Accounts payable	6,010
Estimated liability for open claims	240,450
Total liabilities	246,460
NET POSITION	
Restricted	$ 728,012

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

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Charges to other funds	$ 450,000
Other local revenues	50,506
Total operating revenues	500,506
OPERATING EXPENSES	
Books and supplies	4,994
Services and other operating expenditures	541,631
Total operating expenses	546,625
Operating Income (Loss)	(46,119)
NON-OPERATING REVENUES	
Interest income	1,489
Change in net position	(44,630)
Net position, July 1, 2012	772,642
Net position, June 30, 2013	$ 728,012

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2013

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from self-insurance premiums	$ 450,000
Cash received from other local sources	50,671
Cash paid for operating expenses	(521,525)
Net cash provided (used) by operating activities	(20,854)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	2,148
Net increase (decrease) in cash	(18,706)
Cash, July 1, 2012	992,736
Cash, June 30, 2013	$ 974,030

Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

Operating Income (Loss)	$ (46,119)
Changes in Operating Assets and Liabilities	
Increase in accounts receivable	(75)
Decrease in amounts due from other funds	240
Increase in accounts payable	25,100
Net Cash Provided (Used) by Operating Activities	$ (20,854)

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Statement of Net Position - Fiduciary Funds
June 30, 2013

	Agency Funds	Trust Fund	
	Student Body Funds	Scholarship Fund	Total
ASSETS			
Cash	$ 1,284,279	$ 92,789	$ 1,377,068
Accounts receivable	-	62	62
Total Assets	$ 1,284,279	92,851	1,377,130
LIABILITIES			
Accounts payable	$ -	58	58
Due to student groups	1,284,279	-	1,284,279
Total Liabilities	$ 1,284,279	58	1,284,337
NET POSITION			
Restricted for student scholarships		$ 92,793	$ 92,793

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Statement of Changes in Net Position - Fiduciary Funds
For the Fiscal Year Ended June 30, 2013

	Trust Fund Scholarship Fund
ADDITIONS	
Other local sources	$ 498
Total Additions	498
DEDUCTIONS	
Classified salaries	1,500
Employee benefits	172
Other services & operating expenses	6,000
Total Deductions	7,672
Net Decrease	(7,174)
Net position - July 1, 2012	99,967
Net position - June 30, 2013	$ 92,793

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

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

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

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

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

Major Governmental Funds
The District maintains the following major governmental funds:

General Fund: This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The District also maintains a Deferred Maintenance Fund, a Special Reserve Fund for Other Than Capital Outlay Projects, and a Special Reserve Fund for Postemployment Benefits. Under the flexibility provisions of current statute that allow certain formerly restricted revenues to be used for any educational purpose, the Deferred Maintenance Fund does not currently meet the definition of special revenue funds as it is no longer primarily composed of restricted or committed revenue sources.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Major Governmental Funds (continued)

General Fund (continued): In addition, the Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits are not substantially composed of restricted or committed revenue sources. Because these funds do not meet the definition of special revenue funds under GASB 54, the activity in those funds is being reported within the General Fund.

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

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

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

Non-Major Governmental Funds
The District maintains the following non-major governmental funds:

Special Revenue Funds:

Adult Education Fund: This fund is used to account for resources committed to adult education programs maintained by the District.

Child Development Fund: This fund is used to account for revenues received and expenditures made to the child development program subcontracted by the District.

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

Capital Projects Funds:

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Proprietary Funds (continued)
The District has the following proprietary fund:

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

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

Agency Funds: The District maintains a separate agency fund for each school that operates an Associated Student Body (ASB) Fund, whether it is organized or not. This fund is used to account for raising and expending money to promote the general welfare, morale, and educational experiences of the student body. The District operates six Associated Student Body funds.

Scholarship Fund*:* This fund is used to account for the Leo R. Croce Elementary School scholarship established in 1991 and the Hindu scholarship.

2. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements
Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgets and Budgetary Accounting

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

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

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

D. Encumbrances

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

E. Assets, Liabilities, and Net Position

1. Deposits and Investments

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

2. Cash and Cash Equivalents

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

3. Property Tax Calendar

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

4. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

6. Compensated Absences

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

7. Fund Balances

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

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

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

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

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Use of Estimates

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

G. Self-Insurance Internal Service Fund

The District is self-insured for property damage and for general liability up to $100,000 per claim. The General Fund is charged premiums by the Self-Insurance Fund, which is accounted for as an Internal Service Fund. The District also participates in a joint powers authority, which provides excess worker's compensation coverage for the District. On the government-wide financial statements, the Internal Service Fund activity is eliminated to avoid doubling of revenues and expenditures

H. New GASB Pronouncements

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

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*: The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The requirements of this Statement improve financial reporting by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34*: The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. New GASB Pronouncements (continued)

GASB Statement No. 61 (continued) This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government.

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

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

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

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

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

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

NOTE 2 – CASH

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

	Governmental Activities			
	Governmental Funds	Proprietary Fund	Total	Fiduciary Funds
Pooled Funds:				
Cash in County Treasury	$ 28,691,659	$ 949,030	$ 29,640,689	$ 92,789
Deposits:				
Cash on hand and in banks	4,912	25,000	29,912	1,284,279
Cash in revolving fund	50,000	-	50,000	-
Total deposits	54,912	25,000	79,912	1,284,279
Total cash	$ 28,746,571	$ 974,030	$ 29,720,601	$ 1,377,068

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

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

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2013, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk – Deposits
Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Deposits held in noninterest bearing transaction accounts are fully insured regardless of the amount in the account through December 31, 2012, and other cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2013, $1,869,781 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Fund	Fiduciary Funds
Federal Government:								
Categorical aid programs	$ 2,347,158	$ -	$ -	$ -	$ 331,889	$ 2,679,047	$ -	$ -
State Government:								
Revenue limit	4,630,661	-	-	-	-	4,630,661	-	-
Lottery	1,035,014	-	-	-	-	1,035,014	-	-
Categorical aid programs	2,630,562	-	-	-	19,634	2,650,196	-	-
Local:								
Special education	1,567,044	-	-	-	-	1,567,044	-	-
Interest	4,364	2,314	4,268	4,387	2,003	17,336	367	62
Other local	511,914	-	64,528	-	32,474	608,916	-	-
Miscellaneous	4,302	-	-	-	2,905	7,207	75	-
Totals	$ 12,731,019	$ 2,314	$ 68,796	$ 4,387	$ 388,905	$ 13,195,421	$ 442	$ 62

NOTE 4 - INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

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

General Fund due to the Building Fund for temporary cash borrowing	$ 7,000,000

B. Transfers To/From Other Funds

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

Cafeteria Fund transfer to General Fund for retiree benefits	$ 9,698
Adult Education Fund transfer to General Fund for retiree benefits	834
Capital Facilities Fund transfer to General Fund for retiree benefits	702
Total	$ 11,234

NOTE 5 – FUND BALANCES

Minimum Fund Balance Policy
The District has not adopted a formal minimum fund balance policy, as recommended by GASB Statement No.54; however, the District follows the guidelines recommended in the Criteria and Standards of Assembly Bill (AB) 1200, which recommend a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of total General Fund expenditures and other financing uses.

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

At June 30, 2013, fund balances of the District's governmental funds were classified as follows:

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable:						
Revolving cash	$ 50,000	$ -	$ -	$ -	$ -	$ 50,000
Stores inventories	143,592	-	-	-	55,449	199,041
Prepaid expenditures	150	-	-	-	-	150
Total Nonspendable	193,742	-	-	-	55,449	249,191
Restricted:						
Categorical programs	1,735,065	-	-	-	-	1,735,065
Food service	-	-		-	924,510	924,510
Capital projects	-	7,890,936	5,339,407	-	3,041,393	16,271,736
Debt service	-	-	-	7,172,399	-	7,172,399
Total Restricted	1,735,065	7,890,936	5,339,407	7,172,399	3,965,903	26,103,710
Assigned:						
Adult education program	-	-	-	-	127,767	127,767
Child development program	-	-	-	-	54	54
Deferred maintenance program	197,630	-	-	-	-	197,630
Postemployment benefits	1,100,169	-	-	-	-	1,100,169
Other designations	980,345	-	-	-	-	980,345
Total Assigned	2,278,144	-	-	-	127,821	2,405,965
Unassigned:						
Reserve for economic uncertainties	4,255,978	-	-	-	-	4,255,978
Total Unassigned	4,255,978	-	-	-	-	4,255,978
Total	$ 8,462,929	$ 7,890,936	$ 5,339,407	$ 7,172,399	$ 4,149,173	$ 33,014,844

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance, July 1, 2012	Additions	Retirements	Balance, June 30, 2013
Capital assets not being depreciated:				
Land	$ 7,758,228	$ -	$ -	$ 7,758,228
Construction in progress	609,889	306,623	-	916,512
Total capital assets not being depreciated	8,368,117	306,623	-	8,674,740
Capital assets being depreciated:				
Improvement of sites	17,941,474	-	-	17,941,474
Buildings	171,654,556	-	-	171,654,556
Equipment	2,428,949	58,073	42,120	2,444,902
Total capital assets being depreciated	192,024,979	58,073	42,120	192,040,932
Accumulated depreciation for:				
Improvement of sites	(6,275,597)	(1,105,202)	-	(7,380,799)
Buildings	(39,927,805)	(3,669,881)	-	(43,597,686)
Equipment	(2,105,748)	(110,274)	(42,120)	(2,173,902)
Total accumulated depreciation	(48,309,150)	(4,885,357)	(42,120)	(53,152,387)
Total capital assets being depreciated, net	143,715,829	(4,827,284)	-	138,888,545
Governmental activity capital assets, net	$ 152,083,946	$ (4,520,661)	$ -	$ 147,563,285

NOTE 7 – GENERAL LONG-TERM DEBT

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

	Balance, July 1, 2012	Additions	Deductions	Balance, June 30, 2013	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	$ 97,990,000	$ -	$ 4,980,000	$ 93,010,000	$ 4,980,000
Unamortized issuance premium	1,547,113	-	93,754	1,453,359	93,754
Subtotal General Obligation Bonds	99,537,113	-	5,073,754	94,463,359	5,073,754
Compensated Absences	1,069,622	38,855	-	1,108,477	-
Totals	$ 100,606,735	$ 38,855	$ 5,073,754	$ 95,571,836	$ 5,073,754

Payments for general obligation bonds are made by the Bond Interest and Redemption fund. Accumulated vacation will be paid for by the fund for which the employee worked.

General Obligation Bonds

1999 Election

On March 2, 1999, a special election was held at which more than two-thirds of the voters in the District approved Measure "L", which authorized the issuance and sale of $150 million of general obligation bonds. The bonds are general obligations of the District, and the County is obligated to annually levy ad valorem taxes for the payment of the interest on, and the principal of the bonds.

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

1999 Election (continued)
The bonds were issued for the purpose of financing the improvement of health and safety conditions of the District's facilities, including the renovation of roofing, heating, plumbing and air-conditioning systems, the acquisition and construction of a new library and community center, and the acquisition, renovation, and construction of other necessary facilities. The District has entered into joint-use agreements with the City of Livermore and Livermore Area Park and Recreation District for the operation of the library and community center, respectively.

2010 General Obligation Refunding Bonds
On May 4, 2010, the District issued $33,840,000 of 2010 General Obligation Refunding Bonds. The bonds consist of serial bonds bearing fixed rates ranging from 2.0 to 5.0 percent with annual maturities from August 2011 through August 2026. The net proceeds of $34,470,935 (after underwriter's discount of $301,176, issuance costs of $122,608, plus premium of $1,054,719) were used to advance refund $17,750,000 of the District's outstanding Election of 1999, Series 2000 General Obligation Bonds and $15,215,000 of the Election of 1999, Series 2001 General Obligation Bonds, in addition to paying the costs of issuance associated with the refunding bonds.

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

Deferred amounts on refunding of $1,341,152 remain to be amortized. As of June 30, 2013 the principal balance outstanding on the defeased debt amounted to $28,920,000.

The outstanding general obligation bonds issued by the District as of June 30, 2013 are:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2012	Additions	Deductions	Balance, June 30, 2013
2002	8/15/2002	8/1/2027	3.0% - 5.0%	$ 20,000,000	$ 15,475,000	$ -	$ 690,000	$ 14,785,000
2005	8/2/2005	8/1/2030	3.1% - 7.5%	30,000,000	26,070,000	-	920,000	25,150,000
2006	8/1/2006	8/1/2031	4.2% - 6.0%	27,000,000	25,065,000	-	720,000	24,345,000
Refunding	5/4/2010	8/1/2026	2.0%-5.0%	33,840,000	31,380,000	-	2,650,000	28,730,000
					$ 97,990,000	$ -	$ 4,980,000	$ 93,010,000

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2013 are as follows:

Fiscal Year	Principal	Interest	Total
2013-2014	$ 4,980,000	$ 3,851,572	$ 8,831,572
2014-2015	5,210,000	3,685,636	8,895,636
2015-2016	4,510,000	3,504,920	8,014,920
2016-2017	4,500,000	3,330,336	7,830,336
2017-2018	4,705,000	3,154,583	7,859,583
2018-2023	27,140,000	12,633,783	39,773,783
2023-2028	28,945,000	6,140,051	35,085,051
2028-2032	13,020,000	1,111,690	14,131,690
Totals	$ 93,010,000	$ 37,412,571	$ 130,422,571

NOTE 8 – JOINT VENTURES

Livermore Valley Joint Unified School District participates in a joint venture under a joint powers agreement (JPA) with the Alameda County Schools Insurance Group (ACSIG). The District also participated in Northern California ReLiEF for excess property and liability insurance. The relationship between Livermore Valley Joint Unified School District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA arranges for and provide workers' compensation insurance for its member school districts. The JPA is governed by a board consisting of a representative from each member district. The governing board controls the operations of the JPA independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPA.

Condensed audited financial information as of June 30, 2012 is as follows:

	Northern California ReLiEF	ACSIG
Assets	$ 64,352,057	$ 34,358,137
Liabilities	34,304,678	45,578,070
Net Asset	$ 30,047,379	$ (11,219,933)
Revenues	$ 16,404,547	$ 132,053,622
Expenses	13,337,585	128,604,274
Operating Income	3,066,962	3,449,348
Non-Operating Income	552,286	297,320
Change in Net Asset	$ 3,619,248	$ 3,746,668

NOTE 9 - COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

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

Litigation

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

NOTE 10 – 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, 2013, the District participated in the Northern California ReLiEF public entity risk pool for property and liability insurance coverage. 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

For fiscal year 2012-13, the District participated in the ACSIG JPA for workers compensation.

Employee Medical Benefits

The District has contracted with California Valued Trust to provide employee health and welfare benefits.

Claims Liability

The District records an estimated liability for property 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.

Unpaid Claims Liabilities

The District 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, 2011 to June 30, 2013:

	Claims Liability
Liability Balance, July 1, 2011	$ 80,948
Claims and changes in estimates	164,735
Claims payments	(35,282)
Liability Balance, July 1, 2012	210,401
Claims and changes in estimates	53,885
Claims payments	(23,836)
Liability Balance, June 30, 2013	$ 240,450
Assets available to pay claims at June 30, 2013	$ 974,472

NOTE 11 - EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), classified employees are members of the Public Employees' Retirement System (PERS), and part-time, seasonal, and temporary employees not covered by STRS or PERS are covered by the Accumulation Program for Part Time and Limited Service Employees (APPLE) program.

Public Employees' Retirement System (PERS)

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

Funding Policy
Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2012-13 was 11.417%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2012-13	$ 1,926,080	100%
2011-12	$ 1,783,500	100%
2010-11	$ 1,751,216	100%

State Teachers' Retirement System (STRS)

Plan Description
The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the comprehensive annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California 95605, or at www.calstrs.com.

Funding Policy
Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2012-13 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute.

NOTE 11 - EMPLOYEE RETIREMENT PLANS (continued)

State Teachers' Retirement System (STRS) (continued)

The District's contributions to STRS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2012-13	$ 4,106,922	100%
2011-12	$ 4,006,883	100%
2010-11	$ 3,929,872	100%

Accumulation Program for Part Time and Limited Service Employees (APPLE)

Plan Description
The Accumulation Program for Part-Time and Limited Service Employees (APPLE) is a defined contribution plan qualifying under §401(a) and §501 of the Internal Revenue Code. The plan covers part-time, seasonal and temporary employees and employees not covered by §3121(b)(7)(F) of the Internal Revenue Code. The benefit provisions and contribution requirements of plan members and the District are established and may be amended by the APPLE Board of Trustees.

Funding Policy
Contributions of 3.75% of covered compensation of eligible employees are made by both the employer and the employee. Total contributions, employer and employee combined (7.5%), were made in the amount of $115,789 during the fiscal year. The total amount of covered compensation was approximately $1.5 million. Total contributions made are 100% of the amount of contributions required for fiscal year 2012-13.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to STRS for K-12 education. These payments consist of state general fund contributions of approximately $2.1 million to STRS (4.267% of salaries subject to STRS in 2012-13).

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

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

Plan Descriptions and Contribution Information
Membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits*	113
Active plan members*	1,188
Total	1,301

** As of July 1, 2011 actuarial valuation*

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Plan Descriptions and Contribution Information (continued)
The District provides postemployment benefits for health and dental coverage to certificated employees who retire from the District on or after reaching age 55 with at least ten years of service, and classified employees with fifteen years of service. Eligible retirees will receive coverage for seven years or until reaching age 65, whichever comes first.

The District's funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board. For fiscal year 2012-13, the District contributed $932,019.

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

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

Annual required contribution (ARC)	$	898,588
Interest on net OPEB obligation		(75,565)
Adjustment to ARC		98,312
Annual OPEB cost		921,335
Contributions made:		(932,019)
Increase in net OPEB obligation (asset)		(10,684)
Net OPEB obligation (asset) - July 1, 2012		(1,511,292)
Net OPEB obligation (asset) - June 30, 2013	$	(1,521,976)

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

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation (asset)
2011	$ 965,227	105%	$ (1,366,858)
2012	$ 919,161	116%	$ (1,511,292)
2013	$ 921,335	101%	$ (1,521,976)

Funded Status and Funding Progress – OPEB Plans
As of July 1, 2011 the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was $7.2 million and the unfunded actuarial accrued liability (UAAL) was $7.2 million.

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

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

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

Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2011
Actuarial Cost Method	Projected Unit Credit
Amortization Method	30 year level dollar
Remaining Amortization Period	26 years
Asset Valuation	N/A
Actuarial Assumptions:	
Discount rate	5%
Healthcare cost trend rate:	
Dental / Vision	4%
Medical / Rx	7%

NOTE 13 – FUTURE GASB PRONOUNCEMENTS

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

A. Statement No. 65, *Items Previously Reported as Assets and Liabilities (Issued 03/12)*
This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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

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

This Statement will become effective in 2013-14.

NOTE 13 – FUTURE GASB PRONOUNCEMENTS (continued)

B. Statement No. 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27 (Issued 06/12)*

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

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

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

Cost-Sharing Employers

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

A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

This Statement will become effective in 2014-15.

NOTE 14 - CHARTER SCHOOL OVERSIGHT

On November 27, 2012, the Livermore Valley Joint Unified School District Board of Education voted to approve the Livermore Valley Charter School renewal petition. As of July 1, 2013, the oversight responsibility for the Livermore Valley Charter School will shift from the California Department of Education to the District.

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Required Supplementary Information

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LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual*	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Pos (Neg)
Revenues				
Revenue Limit Sources	$ 66,245,743	$ 65,905,863	$ 65,946,528	$ 40,665
Federal	4,433,762	7,304,231	6,134,044	(1,170,187)
Other State	13,710,804	15,691,192	15,891,455	200,263
Other Local	10,766,390	14,307,080	13,017,272	(1,289,808)
Total Revenues	95,156,699	103,208,366	100,989,299	(2,219,067)
Expenditures				
Current:				
Certificated Salaries	47,904,275	50,489,688	50,286,236	203,452
Classified Salaries	15,433,916	16,909,898	16,787,133	122,765
Employee Benefits	20,243,773	21,114,094	21,106,823	7,271
Books and Supplies	3,933,934	7,057,794	3,331,575	3,726,219
Services and Other Operating Expenditures	10,779,396	13,274,980	11,958,123	1,316,857
Transfers of indirect costs	(155,944)	(160,254)	(162,720)	2,466
Capital Outlay	25,509	71,899	58,073	13,826
Intergovernmental	1,761,712	1,664,877	1,834,726	(169,849)
Total Expenditures	99,926,571	110,422,976	105,199,969	5,223,007
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,769,872)	(7,214,610)	(4,210,670)	3,003,940
Other Financing Sources and Uses				
Interfund Transfers In	12,457	12,457	12,426	(31)
Interfund Transfers Out	(120,776)	-	-	-
Total Other Financing Sources and Uses	(108,319)	12,457	12,426	(31)
Net Change in Fund Balance	(4,878,191)	(7,202,153)	(4,198,244)	3,003,909
Fund Balances, July 1, 2012	11,361,853	11,361,853	11,361,853	-
Fund Balances, June 30, 2013	$ 6,483,662	$ 4,159,700	$ 7,163,609	$ 3,003,909

* The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund, Special Reserve Fund for Other Than Capital Outlay Projects and Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2007	$ -	$ 6,808,677	$ 6,808,677	0.0%	$ 71,358,006	9.54%
July 1, 2009	$ -	$ 7,678,006	$ 7,678,006	0.0%	$ 69,146,570	11.1%
July 1, 2011	$ -	$ 7,167,943	$ 7,167,943	0.0%	$ 64,901,166	11.0%

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Funding Progress

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

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2013, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule:

Appropriations Category	Excess Expenditures
Intergovernmental	$ 169,849

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Supplementary Information

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Livermore Valley Joint Unified School District was formed on July 1, 1966 and is comprised of an area of approximately 240 square miles located in Alameda and Contra Costa Counties. There were no changes in the boundaries of the District during the current year. The District operates eight elementary, three middle, two K-8 and four high schools, two of which are continuation high schools. The District also maintains an Adult Education Program and an Independent Study School.

The Board of Education and the District Administrators for the fiscal year ended June 30, 2013 were as follows:

BOARD OF EDUCATION

Member	Office	Term Expires
Bill Dunlop	President	November, 2014
Anne White	Clerk	November, 2014
Chuck Rogge	Member	November, 2016
Kate Runyon	Member	November, 2014
Thomas McLaughlin	Member	November, 2016

DISTRICT ADMINISTRATORS

Kelly Bowers,
Superintendent

Chris Van Schaack,
Assistant Superintendent, Administrative Services

Cindy Alba,
Assistant Superintendent, Educational Services

Susan Kinder,
Chief Business Official

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2013

	Second Period Report (Certificate No. D5595FA4)	Annual Report (Certificate No. 6957F16D)
Elementary:		
Kindergarten	929	934
Grades 1 through 3	2,611	2,613
Grades 4 through 6	2,587	2,602
Grades 7 and 8	1,693	1,692
Home and hospital	2	2
Special education	391	389
Extended year program	7	7
Total Elementary	8,220	8,239
Secondary:		
Grades 9 through 12, regular classes	3,746	3,726
Continuation education	99	97
Home and hospital	3	2
Special education	153	152
Extended year program	7	7
Total Secondary	4,008	3,984
Total Average Daily Attendance	12,228	12,223

See accompanying note to supplementary information.

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2013

	1982-83 Minutes		1986-87 Minutes		2012-2013	Number of Days	
Grade Level	Actual	Reduced*	Previously Required	Reduced*	Actual Minutes	Traditional Calendar	Status
Kindergarten	31,860	30,975	36,000	35,000	36,000	180	Complied
Grade 1	46,781	45,482	50,400	49,000	53,250	180	Complied
Grade 2	46,781	45,482	50,400	49,000	53,250	180	Complied
Grade 3	46,781	45,482	50,400	49,000	53,250	180	Complied
Grade 4	52,218	50,768	54,000	52,500	54,400	180	Complied
Grade 5	52,218	50,768	54,000	52,500	54,400	180	Complied
Grade 6	52,218	50,768	54,000	52,500	55,715	180	Complied
Grade 7	52,218	50,768	54,000	52,500	55,715	180	Complied
Grade 8	52,218	50,768	54,000	52,500	55,715	180	Complied
Grade 9	59,295	57,648	64,800	63,000	68,810	180	Complied
Grade 10	59,295	57,648	64,800	63,000	68,810	180	Complied
Grade 11	59,295	57,648	64,800	63,000	68,810	180	Complied
Grade 12	59,295	57,648	64,800	63,000	68,810	180	Complied

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

LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2013

General Fund	(Budget) 2014 [3]	2013 [4]	2012	2011
Revenues and other financing sources	$ 101,363,411	$ 101,001,725	$ 99,978,779	$ 101,051,583
Expenditures	101,974,424	105,199,969	103,426,564	101,265,612
Other uses and transfers out	120,776	-	-	620,873
Total outgo	102,095,200	105,199,969	103,426,564	101,886,485
Change in fund balance (deficit)	(731,789)	(4,198,244)	(3,447,785)	(834,902)
Ending fund balance	$ 6,431,820	$ 7,163,609	$ 11,361,853	$ 14,809,638
Available reserves [1]	$ 3,517,930	$ 4,255,978	$ 4,137,061	$ 4,706,949
Available reserves as a percentage of total outgo	3.4%	4.0%	4.0%	4.6%
Total long-term debt	$ 90,498,082	$ 95,571,836	$ 100,606,735	$ 106,003,547
Average daily attendance at P-2 [2]	12,095	12,228	12,349	12,326

The General Fund balance has decreased by $7.6 million over the past two years. The fiscal year 2013-14 adopted budget projects a decrease of $0.7 million. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in each of the past three years, and anticipates incurring an operating deficit during the 2013-14 fiscal year. Long-term debt has decreased by $10.4 million over the past two years.

Average daily attendance has decreased by 98 over the past two years. A decrease of 133 ADA is anticipated during fiscal year 2013-14.

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

[2] Excludes Adult Education ADA.

[3] Revised Budget September, 2013.

[4] The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund, Special Reserve Fund for Other Than Capital Outlay Projects, and Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster				
School Breakfast Program - Especially Needy	10.553	13526	$ 135,076	
National School Lunch Program	10.555	13523	1,317,804	
USDA Donated Foods	10.555	N/A	158,175	
Summer Food Service Program Operations	10.559	13004	16,739	
Subtotal Child Nutrition Cluster				$ 1,627,794
CACFP Claims - Centers and Family Day Care	10.558	13393		27,965
Team Nutrition - Front-Line Professional Education Mini-Grants	10.574	14890		53,247
Total U.S. Department of Agriculture				1,709,006
U.S. Department of Education:				
Indian Education	84.060	10011		94,414
Passed through California Dept. of Education (CDE):				
Adult Basic Education (ABE):				
Adult Basic Education Cluster				
Adult Basic Education & ESL	84.002A	14508	25,851	
Adult Secondary Education	84.002	13978	6,204	
English Literacy & Civics Education	84.002A	14109	30,955	
Subtotal Adult Basic Education Cluster				63,010
No Child Left Behind (NCLB):				
Title I, Part A Cluster				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	1,025,032	
Title I, Part A, Program Improvement	84.010	14957	63,286	
Subtotal Title I, Part A Cluster				1,088,318
Title I, Part C, Migrant Ed (Regular and Summer Program)	84.011	14838		212,783
Title I, Part G, Advanced Placement Test Fee Reimbursement	84.330B	14831		647
Improving Teacher Quality State Grants Cluster				
Title II, Part A, Teacher Quality Local	84.367	14341	496,884	
Title II, Part A, Administrator Training	84.367	14344	5,500	
Subtotal Improving Teacher Quality State Grants Cluster				502,384
Title III, Limited English Proficiency	84.365	14346		158,965
Education Jobs Fund	84.410	25152		1,196,439
Vocational and Applied Tech Secondary II, Carl Perkins Act	84.048	14894		71,093
Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster				
Local Assistance Entitlement	84.027	13379	2,280,741	
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	74,078	
Preschool Local Entitlement, Part B	84.027A	13682	122,454	
Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	256,456	
Preschool Staff Development	84.173A	13431	738	
Subtotal Special Education Cluster (IDEA)				2,734,467
Total U.S. Department of Education				6,122,520
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education:				
Medi-Cal Billing Option	93.778	10013		67,243
Total U.S. Department of Health & Human Services				67,243
Total Expenditures of Federal Awards				$ 7,898,769

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

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as reduced by Education Code Section 46201.2(a).

Schedule of Financial Trends and Analysis

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

Schedule of Expenditures of Federal Awards

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

Subrecipients

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

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.

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Other Independent Auditors' Reports

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

Board of Education
Livermore Valley Joint Unified School District
Livermore, 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 Livermore Valley Joint Unified School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Livermore Valley Joint Unified School District's basic financial statements, and have issued our report thereon dated December 3, 2013.

Internal Control Over Financial Reporting

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

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

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

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

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

Nigro + Nigro, PC

December 3, 2013

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

Board of Education
Livermore Valley Joint Unified School District
Livermore, California

Report on Compliance for Each Major Federal Program
We have audited Livermore Valley Joint 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 Livermore Valley Joint Unified School District's major federal programs for the year ended June 30, 2013. Livermore Valley Joint Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of Livermore Valley Joint 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 Livermore Valley Joint 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 Livermore Valley Joint Unified School District's compliance.

Opinion on Each Major Federal Program
In our opinion, Livermore Valley Joint Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

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Report on Internal Control Over Compliance
Management of Livermore Valley Joint 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 Livermore Valley Joint Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Nigro+Nigro, PC

December 3, 2013

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Livermore Valley Joint Unified School District
Livermore, California

We have audited Livermore Valley Joint Unified School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-13,* published by the Education Audit Appeals Panel, for the year ended June 30, 2013. The District's State programs are identified in the schedule below. Compliance with the requirements of laws, regulations, contracts, and grants is the responsibility of the District's management. Our responsibility is to express an opinion on Livermore Valley Joint Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-13.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to below occurred. An audit includes examining, on a test basis, evidence about Livermore Valley Joint Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Description	Procedures in Audit Guide	Procedures Performed
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not applicable
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
Class Size Reduction:		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not applicable
Districts with Only One School Serving K-3	4	Not applicable

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Description	Procedures in Audit Guide	Procedures Performed
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Not applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	Not applicable
Mode of Instruction	1	Not applicable
Nonclassroom-Based Instruction/Independent Study	15	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	3	Not applicable
Annual Instructional Minutes – Classroom Based	4	Not applicable

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

The purpose of this report on State compliance is solely to describe the scope of our testing of State compliance and the results of that testing based on the requirements of the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-13*. Accordingly, this report is not suitable for any other purpose.

Nigro+Nigro, PC

December 3, 2013

Findings and Questioned Costs

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SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.027 & 84.173	IDEA: Special Education Cluster

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

State Awards

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

SECTION II - FINANCIAL STATEMENT FINDINGS

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

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

There were no financial statement findings in 2012-13.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

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

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

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

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

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To the Board of Education
Livermore Valley Joint Unified School District
Livermore, California

In planning and performing our audit of the basic financial statements of Livermore Valley Joint Unified School District for the year ending June 30, 2013, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 3, 2013, on the financial statements of Livermore Valley Joint Unified School District.

Cash Receipts

Observation: During our documentation of district controls over cash receipts, we noted that one employee is solely responsible for opening the mail, receiving cash, and preparing deposits. This represents a lack of segregation of duties, as this employee has the ability to misappropriate cash received without detection.

Recommendation: We recommend that the District assign another employee, without access to the financial system, the responsibility of initially receiving and logging cash received at the district office. The cash receipt log should then be compared to the actual deposits by the person performing or reviewing the bank reconciliations. This will provide adequate separation of the receiving and record keeping functions.

Associated Student Body (ASB) Funds

Observation*:* In our test of cash disbursements at Livermore and Granada High, we noted that several of the disbursements selected in our sample were not approved by the District representative, the ASB advisor, and/or the student representative prior to incurring the expense. Education Code Section 48933(b) requires all expenditures from ASB funds be authorized by a student representative, an advisor, and a district representative (usually a principal or vice-principal) prior to disbursing the funds.

Recommendation: We recommend, as a "best practice", that approval by required parties be obtained before the actual commitment to purchase the items in order to ensure the expense is a proper use of student-body funds and falls within budgetary guidelines.

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To the Board of Education
Livermore Valley Joint Unified School District

Associated Student Body (ASB) Funds (continued)

Observation: During our testing of cash receipting procedures at Granada High, we noted one instance of girls' basketball game ticket sales where the amount of cash collected was not substantiated by a ticket control worksheet or other supporting documentation. Without adequate cash receipting procedures, it is impossible to determine the correct amount of cash that should have been collected at the gate. The student council has no way to determine if the amount of cash that is being deposited into the bank accurately reflects the amount of cash that should have been collected based on ticket sales. For this same activity, we also noted that the timekeeper was paid directly out of the ticket sales revenue. This means that the expense was not approved by the required individuals prior to disbursement. Additionally, the ASB may have been unable to collect a W-9 for the individual, and as a result, the amount reported on the individual's 1099 at the end of the year may be inaccurate.

Recommendation: We recommend that the site begin implementing a better process over the ticketing and cash collection procedures for these types of events. Additionally, we recommend that all individuals performing work on behalf of the ASB be paid through the normal disbursement process only after a valid W-9 is on file.

Observation: During our review of cash disbursements at Granada High we noted one disbursement for a staff Christmas party, which is an unallowable ASB expense. A Christmas party for the staff of the school is not considered an allowable ASB expense because it does not meet the general guidelines and could be construed as a gift of public funds. ASB funds are considered public funds because they are raised through the District's tax identification number and receive the benefit of nontaxable status. Anything that is purchased must be for goods and services that promote the students' general welfare, morale, and educational experiences.

Recommendation: We recommend that the site discontinue issuing such payments from ASB funds.

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

Nigro+Nigro, PC

December 3, 2013