

**LIVERMORE VALLEY JOINT  
UNIFIED SCHOOL DISTRICT  
AUDIT REPORT  
For the Fiscal Year Ended  
June 30, 2014**



**LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT**

*For the Fiscal Year Ended June 30, 2014*

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*For the Fiscal Year Ended June 30, 2014*

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

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

**Emphasis of Matter**

As discussed in Note 1.H. to the basic financial statements, the District has changed its method for accounting and reporting certain items previously reported as assets or liabilities during fiscal year 2013-2014 due to the adoption of Governmental Accounting Standards Board Statement No. 65, "Items Previously Reported as Assets and Liabilities". The adoption of this standard required retrospective application resulting in a \$348,997 reduction of previously reported net position at July 1, 2013. Our opinion is not modified with respect to this matter.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, budgetary comparison information on page 40, and schedule of funding progress on page 41 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.

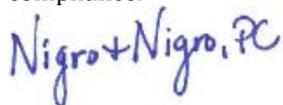
*Other Information*

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 October 24, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California  
October 24, 2014

# LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

## *Management's Discussion and Analysis (Unaudited)*

*For the Fiscal Year Ended June 30, 2014*

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### INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the District for the year ended June 30, 2014. 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 2013-14 fiscal year with a General Fund ending balance of approximately \$5.1 million. Of this amount, \$1.2 million is from restricted programs to be used in 2014-15 and \$0.6 million is committed for revolving cash, stores inventory, and encumbered expenses. The remaining \$3.3 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 gave a 2.58% competitive compensation increase in 2014 and settled a three year contract for 2014-2017 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 (01), the Building Fund (21), the Capital Facilities Fund (25), the County Schools Facility Fund (35), the Bond Interest and Redemption Fund (51), special revenue funds (11, 12, and 13), and special reserve funds (14, 17, and 20). These funds generally focus on how cash and other financial assets flow into and out of those funds 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.

# LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

*Management's Discussion and Analysis (Unaudited)*

*For the Fiscal Year Ended June 30, 2014*

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## **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 (67).
- 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 (73). 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.

**LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2014*

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**STATEMENT OF NET POSITION (continued)**

The Statement of Net Position as of June 30, 2013 and June 30, 2014 is summarized below:

	<u>2013<sup>2</sup></u>	<u>2014</u>
<b>Assets</b>		
Cash <sup>1</sup>	\$ 29,720,601	\$ 22,727,573
Accounts receivable and prepaid expenditures	13,196,013	12,368,344
Stores inventories	199,041	297,501
Net OPEB asset	1,521,976	1,206,112
Capital assets, net	<u>147,563,285</u>	<u>144,433,022</u>
<b>Total Assets</b>	<u>192,200,916</u>	<u>181,032,552</u>
<b>Deferred Outflows of Resources</b>		
Deferred charges on refunding	<u>1,341,152</u>	<u>1,245,355</u>
<b>Liabilities</b>		
Long-term liabilities	95,571,836	90,761,579
Other liabilities	<u>11,008,932</u>	<u>14,838,937</u>
<b>Total Liabilities</b>	<u>106,580,768</u>	<u>105,600,516</u>
<b>Net Position</b>		
Net investment in capital assets	60,990,862	56,083,363
Restricted	18,212,774	12,769,890
Unrestricted	<u>7,757,664</u>	<u>7,824,138</u>
<b>Total Net Position</b>	<u>\$ 86,961,300</u>	<u>\$ 76,677,391</u>

<sup>1</sup> Includes bond funds on deposit with the Alameda County Treasurer.

<sup>2</sup> As restated

- 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.

# LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

## Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2014

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### 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, 2013 and for the year ended June 30, 2014 is summarized below:

	<u>2013<sup>1</sup></u>	<u>2014</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 182,145	\$ 120,454
Operating grants and contributions	19,233,327	19,474,505
Capital grants and contributions	-	30,779
General revenues:		
Property taxes	52,267,957	52,173,124
Grants, subsidies and contributions unrestricted	38,947,093	43,261,154
Interest and investment earnings	80,403	57,265
Transfers from other agencies	479,613	713,305
Other	4,321,255	3,297,311
Total revenues	<u>115,511,793</u>	<u>119,127,897</u>
<b>Expenses</b>		
Instruction	67,910,906	72,441,241
Instruction related services	12,174,168	11,999,032
Pupil services	10,586,466	10,838,875
Ancillary services	937,515	1,069,124
Community services	104,362	110,169
General administration	5,120,771	6,383,908
Plant services	11,200,914	12,930,830
Transfers between agencies	2,327,182	5,436,587
Other outgo and debt service	3,943,031	3,812,599
Depreciation (unallocated)	4,885,357	4,389,441
Total expenses	<u>119,190,672</u>	<u>129,411,806</u>
<b>Increase (decrease) in Net Position</b>	(3,678,879)	(10,283,909)
<b>Net Position, Beginning of Year - as restated</b>	<u>90,640,179</u>	<u>86,961,300</u>
<b>Net Position, End of Year</b>	<u>\$ 86,961,300</u>	<u>\$ 76,677,391</u>

<sup>1</sup> As Restated

**LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2014*

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2014, the District had \$144.4 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:

	<u>2013</u>	<u>2014</u>
Land	\$ 7,758,228	\$ 7,758,228
Improvements of Sites	10,560,675	9,893,137
Buildings	128,056,870	126,377,695
Equipment	271,000	318,006
Construction in Progress	<u>916,512</u>	<u>85,956</u>
Net capital assets	<u>\$ 147,563,285</u>	<u>\$ 144,433,022</u>

**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:

	<u>2013</u>	<u>2014</u>
General Obligation Bonds	\$ 93,010,000	\$ 88,030,000
Unamortized Premium	1,453,359	1,359,605
Capital Leases	-	289,881
Compensated Absences	<u>1,108,477</u>	<u>1,082,093</u>
Net long-term debt	<u>\$ 95,571,836</u>	<u>\$ 90,761,579</u>

**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 40.

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.

# LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2014

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## ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

### Local Control Funding Formula (LCFF)

Our single largest source of funding is State funds. In 2013-14, the State Budget incorporated the new Local Control Funding Formula (LCFF). The LCFF replaced the Revenue Limit and most State categorical programs. It uses base grants per pupil, with supplemental funding provided for students who are English learners, foster youth, or eligible for the Free and Reduced-Price Meals (FRPM) Program. The base grant will be further adjusted by grade level to provide for smaller class sizes in the early elementary years and for career-technical education in high school. The new formula will be phased in over several years and is expected to be fully implemented by 2020-21.

### Local Control and Accountability Plan (LCAP)

The Local Control and Accountability Plan (LCAP) is an important component of the Local Control Funding Formula (LCFF), the State's new way of funding school districts. The LCAP utilizes a standardized template to describe how our district will address State and local priorities for all students and for specific student groups defined in Education Code. The Plan includes goals and associated measures to monitor progress as well as action steps and associated budget amounts for those actions. Everything that is budgeted in the LCAP is in the District's LCFF. Everything in LCFF is not in the LCAP. The LCAP is not a budget document, dollar amounts cannot be meaningfully added together. It is a plan for meeting State and local priorities. The LCAP was developed with input from community and stakeholder groups including parents, teachers, support staff, administrators and bargaining unit groups.

### Projected Student Average Daily Attendance (ADA)

The most important component in calculating revenue is Average Daily Attendance (ADA). ADA drives the revenue formulas. One ADA = 180 days of attendance for one student. Each day that a student is present earns the District approximately \$37 in state revenue. Any absence, even an excused absence, reduces the District's revenue by the same amount per student.

<u>Year</u>	<u>P2 ADA</u>	<u>Percent Growth %</u>
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 (actual)	12,086	(1.16%)
2014-15 (estimate)	12,085	0%

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

# LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

*Management's Discussion and Analysis (Unaudited)*

*For the Fiscal Year Ended June 30, 2014*

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## **ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE (continued)**

### **Parcel Tax**

Livermore Community approved the Measure G parcel tax in June 2014. This is a seven year extension to the Measure M parcel tax of \$138 which will expire in 2015. 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 Measure M 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

### **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.

### **State Budget Overview**

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

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

All of these factors were considered in preparing the Livermore Valley Joint Unified School District budget for the 2014-15 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, 2014*

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	Total Governmental Activities
<b>ASSETS</b>	
<b>Current assets:</b>	
Cash	\$ 22,727,573
Accounts receivable	12,368,294
Prepaid expenses	50
Inventories	297,501
Total current assets	<u>35,393,418</u>
<b>Non-current assets:</b>	
Net OPEB asset	<u>1,206,112</u>
<b>Capital assets:</b>	
Non-depreciable capital assets	7,844,184
Depreciable capital assets	194,079,029
Less accumulated depreciation	<u>(57,490,191)</u>
Total capital assets, net of depreciation	<u>144,433,022</u>
 Total assets	 <u>181,032,552</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amount on refunding	<u>1,245,355</u>
 <b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts payable	13,340,007
Unearned revenue	1,498,930
Total current liabilities	<u>14,838,937</u>
<b>Long-term liabilities:</b>	
Due or payable within one year	5,445,505
Due or payable after one year	85,316,074
Total long-term liabilities	<u>90,761,579</u>
Total liabilities	<u>105,600,516</u>
 <b>NET POSITION</b>	
Net investment in capital assets	56,083,363
Restricted for:	
Capital projects	3,426,509
Debt service	7,372,951
Categorical programs	1,970,430
Unrestricted	<u>7,824,138</u>
 Total Net Position	 <u>\$ 76,677,391</u>

# LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

## Statement of Activities

For the Fiscal Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<b>Governmental Activities:</b>					
Instructional Services:					
Instruction	\$ 72,441,241	\$ 76,201	\$ 11,490,081	\$ 30,779	\$ (60,844,180)
Instruction-related services:					
Supervision of instruction	3,096,953	7,046	1,282,029	-	(1,807,878)
Instructional library, media and technology	2,455,870	368	76,193	-	(2,379,309)
School site administration	6,446,209	89	16,615	-	(6,429,505)
Pupil support services:					
Home-to-school transportation	1,416,855	7,830	377,295	-	(1,031,730)
Food services	3,098,185	-	1,780,114	-	(1,318,071)
All other pupil services	6,323,835	16,542	1,538,729	-	(4,768,564)
General administration services:					
Data processing services	277,930	-	-	-	(277,930)
Other general administration	6,105,978	3	265,155	-	(5,840,820)
Plant services	12,930,830	23	163,204	-	(12,767,603)
Ancillary services	1,069,124	77	340,266	-	(728,781)
Community services	110,169	-	-	-	(110,169)
Transfers between agencies	5,436,587	-	-	-	(5,436,587)
Interest on long-term debt	3,812,599	-	-	-	(3,812,599)
Other outgo	-	12,275	2,144,824	-	2,157,099
Depreciation (unallocated)	4,389,441	-	-	-	(4,389,441)
Total Governmental Activities	\$ 129,411,806	\$ 120,454	\$ 19,474,505	\$ 30,779	(109,786,068)
General Revenues:					
Property taxes					52,173,124
Federal and state aid not restricted to specific purpose					43,261,154
Interest and investment earnings					57,265
Interagency revenues					713,305
Miscellaneous					3,297,311
Total general revenues					99,502,159
Change in net position					(10,283,909)
Net position - July 1, 2013, as originally stated					87,310,297
Adjustment for restatement					(348,997)
Net position - July 1, 2013, as restated					86,961,300
Net position - June 30, 2014					\$ 76,677,391

**LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT**  
*Balance Sheet – Governmental Funds*  
*June 30, 2014*

	General Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash	\$ 5,651,641	\$ 4,745,761	\$ 2,813,486	\$ 7,371,551	\$ 1,369,133	\$ 21,951,572
Accounts receivable	11,631,636	1,501	1,200	1,400	728,397	12,364,134
Inventories	237,645	-	-	-	59,856	297,501
Prepaid expenditures	50	-	-	-	-	50
Total Assets	<u>\$ 17,520,972</u>	<u>\$ 4,747,262</u>	<u>\$ 2,814,686</u>	<u>\$ 7,372,951</u>	<u>\$ 2,157,386</u>	<u>\$ 34,613,257</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 7,351,061	\$ 1,321,953	\$ 2,813,486	\$ -	\$ 76,784	\$ 11,563,284
Unearned revenue	1,441,706	-	-	-	57,224	1,498,930
Total Liabilities	<u>8,792,767</u>	<u>1,321,953</u>	<u>2,813,486</u>	<u>-</u>	<u>134,008</u>	<u>13,062,214</u>
<b>Fund Balances</b>						
Nonspendable	287,695	-	-	-	59,856	347,551
Restricted	1,164,545	3,425,309	1,200	7,372,951	1,845,831	13,809,836
Assigned	3,952,665	-	-	-	117,691	4,070,356
Unassigned	3,323,300	-	-	-	-	3,323,300
Total Fund Balances	<u>8,728,205</u>	<u>3,425,309</u>	<u>1,200</u>	<u>7,372,951</u>	<u>2,023,378</u>	<u>21,551,043</u>
Total Liabilities and Fund Balances	<u>\$ 17,520,972</u>	<u>\$ 4,747,262</u>	<u>\$ 2,814,686</u>	<u>\$ 7,372,951</u>	<u>\$ 2,157,386</u>	<u>\$ 34,613,257</u>

# LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

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

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<b>Total fund balances - governmental funds</b>		\$ 21,551,043
Capital assets used in <i>governmental activities</i> are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$201,923,213, and the accumulated depreciation is \$57,490,191.		144,433,022
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:		(1,573,509)
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 net OPEB asset at the end of the period was:		1,206,112
In governmental funds, deferred amounts on debt refundings are recognized as a deferred outflow of resources and amortized over the life of the defeased debt. Unamortized deferred amounts included on the statement of net position are:		1,245,355
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	88,030,000	
Unamortized premium	1,359,605	
Capital leases	289,881	
Compensated absences payable	<u>1,082,093</u>	(90,761,579)
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:		<u>576,947</u>
<b>Total net position - governmental activities</b>		<u>\$ 76,677,391</u>

# LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

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

	General Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
LCFF sources	\$ 79,977,300	\$ -	\$ -	\$ -	\$ 120,776	\$ 80,098,076
Federal sources	5,213,082	-	-	-	1,755,001	6,968,083
Other state sources	6,553,429	-	30,779	80,150	720,230	7,384,588
Other local sources	13,464,098	862,857	6,064	8,954,433	1,389,697	24,677,149
Total Revenues	105,207,909	862,857	36,843	9,034,583	3,985,704	119,127,896
<b>EXPENDITURES</b>						
Current:						
Instruction	71,402,421	-	-	-	135,441	71,537,862
Instruction-related services:						
Supervision of instruction	3,077,336	-	-	-	-	3,077,336
Instructional library, media and technology	2,441,307	-	-	-	-	2,441,307
School site administration	6,643,910	-	-	-	138,235	6,782,145
Pupil support services:						
Home-to-school transportation	1,416,613	-	-	-	-	1,416,613
Food services	-	-	-	-	3,085,516	3,085,516
All other pupil services	6,285,851	-	-	-	-	6,285,851
Ancillary services	1,068,110	-	-	-	-	1,068,110
Community services	114,263	-	-	-	-	114,263
General administration services:						
Data processing services	277,930	-	-	-	-	277,930
Other general administration	5,168,149	-	-	-	-	5,168,149
Plant services	11,133,676	-	-	-	379,417	11,513,093
Transfers of indirect costs	(148,343)	-	-	-	148,343	-
Capital outlay	-	2,707,406	-	-	1,116,228	3,823,634
Intergovernmental transfers	1,988,106	68,850	2,813,486	-	566,147	5,436,589
Debt Service:						
Principal	135,647	-	-	4,980,000	-	5,115,647
Interest	19,149	-	-	3,854,031	-	3,873,180
Total Expenditures	111,024,125	2,776,256	2,813,486	8,834,031	5,569,327	131,017,225
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,816,216)	(1,913,399)	(2,776,643)	200,552	(1,583,623)	(11,889,329)
<b>OTHER FINANCING SOURCES (USES)</b>						
Interfund transfers in	6,011,195	-	-	-	263,550	6,274,745
Interfund transfers out	-	(699)	(263,550)	-	(6,010,496)	(6,274,745)
Proceeds from capital leases	70,297	-	-	-	355,231	425,528
Total Other Financing Sources and Uses	6,081,492	(699)	(263,550)	-	(5,391,715)	425,528
Net Change in Fund Balances	265,276	(1,914,098)	(3,040,193)	200,552	(6,975,338)	(11,463,801)
Fund Balances, July 1, 2013	8,462,929	5,339,407	3,041,393	7,172,399	8,998,716	33,014,844
Fund Balances, June 30, 2014	\$ 8,728,205	\$ 3,425,309	\$ 1,200	\$ 7,372,951	\$ 2,023,378	\$ 21,551,043

**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, 2014*

**Total net change in fund balances - governmental funds** \$ (11,463,801)

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	2,044,704	
Depreciation expense	<u>(4,389,441)</u>	
Net:		(2,344,737)

If a planned capital project is cancelled and will not be completed, costs previously capitalized as work in progress must be written off to expense. Costs written off for canceled projects were: (780,004)

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is: (5,522)

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. 5,115,647

In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt: (425,528)

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: 62,624

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 decrease in the net OPEB asset at the end of the period was: (315,864)

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 used exceeded the amounts earned by: 26,384

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 decrease in internal service funds was: (151,065)

**Change in net position of governmental activities** \$ (10,283,909)

**LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT**  
*Statement of Net Position – Proprietary Fund*  
*June 30, 2014*

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	<b>Governmental Activities Internal Service Fund</b>
<b>ASSETS</b>	
Cash	\$ 776,001
Accounts receivable	4,160
	<hr/>
Total Assets	780,161
	<hr/>
<b>LIABILITIES</b>	
Estimated liability for open claims	203,214
	<hr/>
Total liabilities	203,214
	<hr/>
<b>NET POSITION</b>	
Restricted	\$ 576,947
	<hr/> <hr/>

**LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT***Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund  
For the Fiscal Year Ended June 30, 2014*

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	<b>Governmental Activities Internal Service Fund</b>
<b>OPERATING REVENUES</b>	
Charges to other funds	\$ 450,000
Other local revenues	88
Total operating revenues	<u>450,088</u>
<b>OPERATING EXPENSES</b>	
Books and supplies	9,008
Services and other operating expenditures	<u>592,940</u>
Total operating expenses	<u>601,948</u>
Operating Income (Loss)	(151,860)
<b>NON-OPERATING REVENUES</b>	
Interest income	<u>795</u>
Change in net position	(151,065)
Net position, July 1, 2013	<u>728,012</u>
Net position, June 30, 2014	<u><u>\$ 576,947</u></u>

**LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT***Statement of Cash Flows – Proprietary Fund**For the Fiscal Year Ended June 30, 2014*

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	<b>Governmental Activities Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from self-insurance premiums	\$ 450,000
Cash received from other local sources	163
Cash paid for operating expenses	<u>(645,194)</u>
Net cash provided (used) by operating activities	(195,031)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>(2,998)</u>
Net increase (decrease) in cash	(198,029)
Cash, July 1, 2013	<u>974,030</u>
Cash, June 30, 2014	<u><u>\$ 776,001</u></u>
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>	
Operating Income (Loss)	\$ (151,860)
Changes in Operating Assets and Liabilities	
Increase in accounts receivable	75
Decrease in accounts payable and estimated liability for open claims	<u>(43,246)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (195,031)</u></u>

**LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT**  
*Statement of Fiduciary Net Position*  
*June 30, 2014*

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	<u>Agency Funds</u>	<u>Trust Fund</u>	
	<u>Student Body Funds</u>	<u>Scholarship Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 1,162,611	\$ 84,682	\$ 1,247,293
Accounts receivable	-	37	37
Total Assets	<u>\$ 1,162,611</u>	<u>84,719</u>	<u>1,247,330</u>
<b>LIABILITIES</b>			
Due to student groups	\$ 1,162,611	-	1,162,611
Total Liabilities	<u>\$ 1,162,611</u>	<u>-</u>	<u>1,162,611</u>
<b>NET POSITION</b>			
Restricted for student scholarships		<u>\$ 84,719</u>	<u>\$ 84,719</u>

**LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT**  
*Statement of Changes in Fiduciary Net Position*  
*For the Fiscal Year Ended June 30, 2014*

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	<b>Trust Fund Scholarship Fund</b>
<b>ADDITIONS</b>	
Other local sources	\$ 3,582
<b>Total Additions</b>	<u>3,582</u>
<b>DEDUCTIONS</b>	
Classified salaries	500
Employee benefits	52
Other services & operating expenses	<u>11,104</u>
<b>Total Deductions</b>	<u>11,656</u>
Net Decrease	(8,074)
Net position - July 1, 2013	<u>92,793</u>
Net position - June 30, 2014	<u><u>\$ 84,719</u></u>

# LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

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### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

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

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

#### B. Basis of Presentation, Basis of Accounting

##### 1. Basis of Presentation

###### Government-Wide Financial Statements

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

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

###### Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds (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.

# LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

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### 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):** 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 a special revenue fund as it is no longer primarily composed of restricted or committed revenue sources. 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.

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

**County 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.

**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:

**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 and the sale of property.

###### 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.

# LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

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### 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.

# LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

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### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

#### C. Budgetary Data

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

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

#### 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.

#### E. Assets, Deferred Outflows of Resources, Liabilities, and Net Position

##### A. Cash and Cash Equivalents

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

##### B. 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.

##### C. 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

# LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

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### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### D. Compensated Absences

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

##### E. 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.

##### F. 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.

# LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

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### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only one item that qualifies for reporting in this category. This item is the deferred amount on refunding, which resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is shown as deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has no deferred inflows of resources.

##### H. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

#### F. Use of Estimates

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

# LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

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### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

#### G. Self-Insurance Internal Service Fund

The District is self-insured for property damage and for general liability up to \$50,000 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 Pronouncement

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

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

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

Due to the implementation of this statement, the calculation of deferred amount on refunding was revised to eliminate the inclusion of costs that should be recognized as an expense in the period incurred and eliminated debt issuance costs which should be recognized as an expense in the period incurred. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively. The result of the implementation of this standard was to decrease the net position at July 1, 2013 by \$348,997, which is the amount of unamortized debt issuance costs at July 1, 2013.

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.

# LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

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### NOTE 2 - CASH

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

	Governmental Activities			Fiduciary Funds
	Governmental Funds	Proprietary Fund	Total	
Pooled Funds:				
Cash in County Treasury	\$ 21,896,838	\$ 751,001	\$ 22,647,839	\$ 84,682
Deposits:				
Cash on hand and in banks	4,734	25,000	29,734	1,162,611
Cash in revolving fund	50,000	-	50,000	-
Total deposits	54,734	25,000	79,734	1,162,611
Total cash	\$ 21,951,572	\$ 776,001	\$ 22,727,573	\$ 1,247,293

#### Pooled Funds

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

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

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2014, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

#### 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, 2014, \$1,285,990 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.

**LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2014

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**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2014 consisted of the following:

	General Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Fund	Fiduciary Funds
Federal Government:								
Categorical aid programs	\$ 2,848,616	\$ -	\$ -	\$ -	\$ 307,576	\$ 3,156,192	\$ -	\$ -
State Government:								
LCFF	5,790,307	-	-	-	-	5,790,307	-	-
Lottery	998,233	-	-	-	-	998,233	-	-
Categorical aid programs	131,371	-	-	-	12,743	144,114	-	-
Local:								
Special education	1,395,825	-	-	-	-	1,395,825	-	-
Interest	4,830	1,501	1,200	1,400	666	9,597	4,160	37
Other local	444,739	-	-	-	41,272	486,011	-	-
Miscellaneous	17,715	-	-	-	366,140	383,855	-	-
Totals	<u>\$ 11,631,636</u>	<u>\$ 1,501</u>	<u>\$ 1,200</u>	<u>\$ 1,400</u>	<u>\$ 728,397</u>	<u>\$ 12,364,134</u>	<u>\$ 4,160</u>	<u>\$ 37</u>

**NOTE 4 – INTERFUND TRANSACTIONS**

**Transfers To/From Other Funds**

Transfers to/from other funds at June 30, 2014 consisted of the following:

	Interfund Transfers In		Total
	General Fund	Non-Major Governmental Funds	
Capital Facilities Fund	\$ 699	\$ -	\$ 699
County School Facilities Fund	-	263,550	263,550
Non-Major Governmental Funds	6,010,496	-	6,010,496
Total	<u>\$ 6,011,195</u>	<u>\$ 263,550</u>	<u>\$ 6,274,745</u>

Adult Education Fund transfer to General Fund for retiree trust benefits	\$ 802
Cafeteria Fund transfer to General Fund for retiree trust benefits	9,694
Building Fund transfer to General Fund for sale of site proceeds	6,000,000
Capital Facilities Fund transfer to General Fund for retiree trust benefits	699
County School Facilities Fund transfer to Building Fund for extra revenues received into fund 35 for fund 21	263,550
Total	<u>\$ 6,274,745</u>

During 2013-14, \$841,269 was transferred from the Special Reserve Fund for Post Employment benefits for retiree benefits and \$1,160 was transferred from the Deferred Maintenance Fund to the General Fund for retiree benefits. Additionally, of the \$6,000,000 transferred into the General Fund, \$2,000,000 was transferred from the Building Fund to the Deferred Maintenance Fund and another \$2,000,000 to the Special Reserve Fund for Other Than Capital Outlay. These have been excluded or reclassified in accordance with GASB 54.

# LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

### 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, 2014, fund balances of the District’s governmental funds were classified as follows:

	General Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
<b>Nonspendable:</b>						
Revolving cash	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ 50,000
Stores inventories	237,645	-	-	-	59,856	297,501
Prepaid expenditures	50	-	-	-	-	50
Total Nonspendable	287,695	-	-	-	59,856	347,551
<b>Restricted:</b>						
Categorical programs	1,164,545	-	-	-	-	1,164,545
Food service	-	-	-	-	805,885	805,885
Capital projects	-	3,425,309	1,200	-	1,039,946	4,466,455
Debt service	-	-	-	7,372,951	-	7,372,951
Total Restricted	1,164,545	3,425,309	1,200	7,372,951	1,845,831	13,809,836
<b>Assigned:</b>						
Adult education program	-	-	-	-	117,605	117,605
Child development program	-	-	-	-	86	86
Deferred maintenance program	1,352,234	-	-	-	-	1,352,234
Postemployment benefits	2,261,102	-	-	-	-	2,261,102
Other designations	339,329	-	-	-	-	339,329
Total Assigned	3,952,665	-	-	-	117,691	4,070,356
<b>Unassigned:</b>						
Reserve for economic uncertainties	3,323,300	-	-	-	-	3,323,300
Total Unassigned	3,323,300	-	-	-	-	3,323,300
<b>Total</b>	<b>\$ 8,728,205</b>	<b>\$ 3,425,309</b>	<b>\$ 1,200</b>	<b>\$ 7,372,951</b>	<b>\$ 2,023,378</b>	<b>\$ 21,551,043</b>

**LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2014*

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**NOTE 6 – CAPITAL ASSETS AND DEPRECIATION**

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

	Balance, July 1, 2013	Additions	Retirements	Balance, June 30, 2014
Capital assets not being depreciated:				
Land	\$ 7,758,228	\$ -	\$ -	\$ 7,758,228
Construction in progress	916,512	218,723	1,049,279	85,956
Total capital assets not being depreciated	<u>8,674,740</u>	<u>218,723</u>	<u>1,049,279</u>	<u>7,844,184</u>
Capital assets being depreciated:				
Improvement of sites	17,941,474	-	-	17,941,474
Buildings	171,654,556	1,949,754	-	173,604,310
Equipment	2,444,902	145,502	57,159	2,533,245
Total capital assets being depreciated	<u>192,040,932</u>	<u>2,095,256</u>	<u>57,159</u>	<u>194,079,029</u>
Accumulated depreciation for:				
Improvement of sites	(7,380,799)	(667,538)	-	(8,048,337)
Buildings	(43,597,686)	(3,628,929)	-	(47,226,615)
Equipment	(2,173,902)	(92,974)	(51,637)	(2,215,239)
Total accumulated depreciation	<u>(53,152,387)</u>	<u>(4,389,441)</u>	<u>(51,637)</u>	<u>(57,490,191)</u>
Total capital assets being depreciated, net	<u>138,888,545</u>	<u>(2,294,185)</u>	<u>5,522</u>	<u>136,588,838</u>
Governmental activity capital assets, net	<u>\$ 147,563,285</u>	<u>\$ (2,075,462)</u>	<u>\$ 1,054,801</u>	<u>\$ 144,433,022</u>

**NOTE 7 – GENERAL LONG-TERM DEBT**

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

	Balance, July 1, 2013	Additions	Deductions	Balance, June 30, 2014	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	\$ 93,010,000	\$ -	\$ 4,980,000	\$ 88,030,000	\$ 5,210,000
Unamortized issuance premium	1,453,359	-	93,754	1,359,605	93,754
Subtotal General Obligation Bonds	<u>94,463,359</u>	<u>-</u>	<u>5,073,754</u>	<u>89,389,605</u>	<u>5,303,754</u>
Capital Leases	-	425,528	135,647	289,881	141,751
Compensated Absences	1,108,477	-	26,384	1,082,093	-
Totals	<u>\$ 95,571,836</u>	<u>\$ 425,528</u>	<u>\$ 5,235,785</u>	<u>\$ 90,761,579</u>	<u>\$ 5,445,505</u>

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

**A. 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.

# LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

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### NOTE 7 – GENERAL LONG-TERM DEBT (continued)

#### A. 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 \$1,245,355 remain to be amortized. As of June 30, 2014 the principal balance outstanding on the defeased debt amounted to \$26,520,000.

The outstanding general obligation bonds issued by the District as of June 30, 2014 are:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2013	Additions	Deductions	Balance, June 30, 2014
2002	8/15/2002	8/1/2027	3.0% - 5.0%	\$ 20,000,000	\$ 14,785,000	\$ -	\$ 715,000	\$ 14,070,000
2005	8/2/2005	8/1/2030	3.1% - 7.5%	30,000,000	25,150,000	-	965,000	24,185,000
2006	8/1/2006	8/1/2031	4.2% - 6.0%	27,000,000	24,345,000	-	760,000	23,585,000
Refunding	5/4/2010	8/1/2026	2.0%-5.0%	33,840,000	28,730,000	-	2,540,000	26,190,000
					<u>\$ 93,010,000</u>	<u>\$ -</u>	<u>\$ 4,980,000</u>	<u>\$ 88,030,000</u>

# LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

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### NOTE 7 – GENERAL LONG-TERM DEBT (continued)

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

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2014 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2018-2019	4,940,000	2,964,126	7,904,126
2019-2024	28,550,000	11,434,786	39,984,786
2024-2029	26,090,000	4,898,017	30,988,017
2029-2032	9,525,000	588,595	10,113,595
Totals	<u>\$ 88,030,000</u>	<u>\$ 33,560,999</u>	<u>\$ 121,590,999</u>

#### B. Capital Leases

The District leases equipment valued at \$446,672 under agreements that provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Lease Payment</u>
2014-2015	\$ 154,796
2015-2016	154,795
Subtotal	\$ 309,591
Less Amount Representing Interest	<u>(19,710)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 289,881</u>

The District will receive no sublease rental revenues to pay any contingent rentals for the equipment.

### 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.

# LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

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### NOTE 8 – JOINT VENTURES (continued)

Condensed audited financial information as of June 30, 2013 is as follows:

	Northern California ReLiEF	ACSIG
Assets	\$ 68,154,000	\$ 36,481,667
Liabilities	43,117,190	41,481,473
Net Position	<u>\$ 25,036,810</u>	<u>\$ (4,999,806)</u>
Revenues	\$ 16,753,865	\$ 132,925,858
Expenses	21,795,973	126,807,961
Operating Income (Loss)	<u>(5,042,108)</u>	<u>6,117,897</u>
Non-Operating Income	31,539	102,230
Change in Net Position	<u>\$ (5,010,569)</u>	<u>\$ 6,220,127</u>

### 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, 2014.

### 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, 2014, 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 2013-14, 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.

# LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

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### NOTE 10 – RISK MANAGEMENT (continued)

#### 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, 2012 to June 30, 2014:

	Claims Liability
Liability Balance, July 1, 2012	\$ 210,401
Claims and changes in estimates	53,885
Claims payments	<u>(23,836)</u>
Liability Balance, July 1, 2013	240,450
Claims and changes in estimates	28,360
Claims payments	<u>(65,596)</u>
Liability Balance, June 30, 2014	<u>203,214</u>
Assets available to pay claims at June 30, 2014	<u>\$ 780,161</u>

### 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 2013-14 was 11.442%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2013-14	\$ 1,989,383	100%
2012-13	\$ 1,926,080	100%
2011-12	\$ 1,783,500	100%

# LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

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### NOTE 11 – EMPLOYEE RETIREMENT PLANS (continued)

#### 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](http://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 2013-14 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2013-14	\$ 4,247,268	100%
2012-13	\$ 4,106,922	100%
2011-12	\$ 4,006,883	100%

##### On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to STRS for K-12 education. These payments consist of state general fund contributions of approximately \$2.2 million to STRS (4.267% of salaries subject to STRS in 2013-14).

#### 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 \$126,390 during the fiscal year. The total amount of covered compensation was approximately \$1.7 million. Total contributions made are 100% of the amount of contributions required for fiscal year 2013-14.

# LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

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### 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*	74
Active plan members*	1,229
Total	<u>1,303</u>

\* As of July 1, 2013 actuarial valuation

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 2013-14, the District contributed \$555,268.

#### 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)	\$ 843,995
Interest on net OPEB obligation	(60,879)
Adjustment to ARC	88,016
Annual OPEB cost	<u>871,132</u>
Contributions made:	<u>(555,268)</u>
Increase in net OPEB obligation (asset)	315,864
Net OPEB obligation (asset) - July 1, 2013	<u>(1,521,976)</u>
Net OPEB obligation (asset) - June 30, 2014	<u>\$ (1,206,112)</u>

# LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

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### NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (continued)

#### Annual OPEB Cost and Net OPEB Obligation (continued)

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

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation (asset)</u>
2012	\$ 919,161	116%	\$ (1,511,292)
2013	\$ 921,335	101%	\$ (1,521,976)
2014	\$ 871,132	62%	\$ (1,206,112)

#### Funded Status and Funding Progress - OPEB Plans

As of July 1, 2013 the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was \$6.6 million and the unfunded actuarial accrued liability (UAAL) was \$6.6 million.

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

#### Actuarial Methods and Assumptions

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

Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2013
Actuarial Cost Method	Projected Unit Credit
Amortization Method	30 year level dollar
Remaining Amortization Period	24 years
Asset Valuation	N/A
Actuarial Assumptions:	
Discount rate	4%
Healthcare cost trend rate:	
Dental / Vision	4%
Medical / Rx	7%

## LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

### *Notes to Financial Statements*

*June 30, 2014*

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#### **NOTE 13 – SUBSEQUENT EVENT**

On October 30, 2014, the District issued \$52,810,000 in refunding bonds to refund all of the District's outstanding General Obligation Bonds, Election of 1999, Series 2002, 2005, and 2006, and to pay the costs of issuance of the bonds. The bonds mature on August 1, 2029 and have interest rates of 2.0-5.0%.

#### **NOTE 14 – FUTURE GASB PRONOUNCEMENT**

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

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

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

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

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

##### **Cost-Sharing Employers**

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

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.

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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, 2014*

	<b>Budgeted Amounts</b>		<b>Actual*</b> <b>(Budgetary Basis)</b>	<b>Variance with Final Budget - Pos (Neg)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
LCFF Sources	\$ 68,414,042	\$ 79,783,940	\$ 79,977,300	\$ 193,360
Federal	4,721,368	5,698,566	5,213,082	(485,484)
Other State	14,935,535	6,523,123	6,553,429	30,306
Other Local	10,438,740	14,905,812	13,458,705	(1,447,107)
<b>Total Revenues</b>	<b>98,509,685</b>	<b>106,911,441</b>	<b>105,202,516</b>	<b>(1,708,925)</b>
<b>Expenditures</b>				
Current:				
Certificated Salaries	50,160,838	52,124,613	52,066,772	57,841
Classified Salaries	16,315,907	17,561,960	17,507,786	54,174
Employee Benefits	20,334,363	20,477,546	20,193,664	283,882
Books and Supplies	2,835,217	8,459,438	5,876,418	2,583,020
Services and Other Operating Expenditures	10,986,637	12,463,543	12,629,457	(165,914)
Transfers of indirect costs	(155,762)	(154,372)	(148,343)	(6,029)
Capital Outlay	60,000	551,021	62,840	488,181
Intergovernmental	1,437,224	1,937,566	1,988,105	(50,539)
<b>Total Expenditures</b>	<b>101,974,424</b>	<b>113,421,315</b>	<b>110,176,699</b>	<b>3,244,616</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<b>(3,464,739)</b>	<b>(6,509,874)</b>	<b>(4,974,183)</b>	<b>1,535,691</b>
<b>Other Financing Sources and Uses</b>				
Interfund Transfers In	2,853,726	2,853,726	2,853,624	(102)
Interfund Transfers Out	(120,776)	-	-	-
Proceeds from Capital Leases	-	-	70,297	70,297
<b>Total Other Financing Sources and Uses</b>	<b>2,732,950</b>	<b>2,853,726</b>	<b>2,923,921</b>	<b>70,195</b>
<b>Net Change in Fund Balance</b>	<b>(731,789)</b>	<b>(3,656,148)</b>	<b>(2,050,262)</b>	<b>1,605,886</b>
Fund Balances, July 1, 2013	7,163,609	7,163,609	7,163,609	-
<b>Fund Balances, June 30, 2014</b>	<b>\$ 6,431,820</b>	<b>\$ 3,507,461</b>	<b>\$ 5,113,347</b>	<b>\$ 1,605,886</b>

\* 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.

**LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT**  
*Schedule of Funding Progress*  
*For the Fiscal Year Ended June 30, 2014*

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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%
July 1, 2013	\$ -	\$ 6,633,919	\$ 6,633,919	0.0%	\$ 68,868,708	9.6%

# LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

## Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2014

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### NOTE 1 - PURPOSE OF SCHEDULES

#### Budgetary Comparison Schedule

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

#### Schedule of Funding Progress

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

### NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
Current:	
Services and Other Operating Expenditures	\$ 165,914
Transfers of Indirect Costs	6,029
Intergovernmental	50,539

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***Supplementary Information***

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## LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

### *Local Educational Agency Organization Structure*

*June 30, 2014*

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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, 2014 were as follows:

<b>BOARD OF EDUCATION</b>		
<u>Member*</u>	<u>Office</u>	<u>Term Expires</u>
Kate Runyon	President	November, 2014
Chuck Rogge	Clerk	November, 2016
Bill Dunlop	Member	November, 2014
Anne White	Member	November, 2014

### **DISTRICT ADMINISTRATORS**

Kelly Bowers,  
*Superintendent*

Chris Van Schaack,  
*Assistant Superintendent, Administrative Services*

Cindy Alba,  
*Assistant Superintendent, Educational Services*

Susan Kinder,  
*Chief Business Official*

\* As of June 30, 2014, there was a member vacancy.

# LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

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

### Second Period Report - Certificate No. (BA25CBEE)

<b>Regular ADA:</b>	<b>TK/K-3</b>	<b>Grades 4-6</b>	<b>Grades 7-8</b>	<b>Grades 9-12</b>	<b>Total</b>
Regular ADA	3,713.23	2,693.56	1,832.48	3,796.71	12,035.98
Extended Year Special Education	10.22	2.72	0.54	4.12	17.60
Special Education - Nonpublic Schools	2.90	4.17	4.19	16.52	27.78
Extended Year Special Education - Nonpublic Schools	0.11	0.97	0.59	2.87	4.54
<b>Total ADA</b>	<b>3,726.46</b>	<b>2,701.42</b>	<b>1,837.80</b>	<b>3,820.22</b>	<b>12,085.90</b>
<b>Other (included in Regular ADA amounts):</b>					
Full-Time Independent Study	124.33				
Transitional Kindergarten	128.34				
Continuation Education	111.92				

### Annual Report - Certificate No. (B45E9B6D)

<b>Regular ADA:</b>	<b>TK/K-3</b>	<b>Grades 4-6</b>	<b>Grades 7-8</b>	<b>Grades 9-12</b>	<b>Total</b>
Regular ADA	3,714.50	2,694.57	1,831.06	3,774.97	12,015.10
Extended Year Special Education	10.22	2.72	0.54	4.12	17.60
Special Education - Nonpublic Schools	2.78	3.99	3.58	16.71	27.06
Extended Year Special Education - Nonpublic Schools	0.11	0.97	0.59	2.87	4.54
<b>Total ADA</b>	<b>3,727.61</b>	<b>2,702.25</b>	<b>1,835.77</b>	<b>3,798.67</b>	<b>12,064.30</b>
<b>Other (included in Regular ADA amounts):</b>					
Full-Time Independent Study	129.90				
Transitional Kindergarten	130.32				
Continuation Education	105.30				

**LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT**  
*Schedule of Instructional Time*  
*For the Fiscal Year Ended June 30, 2014*

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Grade Level	Requirement		2013-2014 Actual Minutes	Number of Days Traditional Calendar	Status
	Previously Required	Reduced*			
Kindergarten	36,000	35,000	36,000	180	Complied
Grade 1	50,400	49,000	53,110	180	Complied
Grade 2	50,400	49,000	53,110	180	Complied
Grade 3	50,400	49,000	53,110	180	Complied
Grade 4	54,000	52,500	54,240	180	Complied
Grade 5	54,000	52,500	54,240	180	Complied
Grade 6	54,000	52,500	55,674	180	Complied
Grade 7	54,000	52,500	55,674	180	Complied
Grade 8	54,000	52,500	55,674	180	Complied
Grade 9	64,800	63,000	63,800	180	Complied
Grade 10	64,800	63,000	63,995	180	Complied
Grade 11	64,800	63,000	63,995	180	Complied
Grade 12	64,800	63,000	63,800	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, 2014*

General Fund	(Budget) 2015 <sup>3</sup>	2014 <sup>4</sup>	2013	2012
Revenues and other financing sources	\$ 106,017,989	\$ 108,126,437	\$ 101,001,725	\$ 99,978,779
Expenditures (total outgo)	105,465,028	110,176,699	105,199,969	103,426,564
Change in fund balance (deficit)	552,961	(2,050,262)	(4,198,244)	(3,447,785)
Ending fund balance	<u>\$ 5,666,308</u>	<u>\$ 5,113,347</u>	<u>\$ 7,163,609</u>	<u>\$ 11,361,853</u>
Available reserves <sup>1</sup>	<u>\$ 3,963,956</u>	<u>\$ 3,323,300</u>	<u>\$ 4,255,978</u>	<u>\$ 4,137,061</u>
Available reserves as a percentage of total outgo	<u>3.8%</u>	<u>3.0%</u>	<u>4.0%</u>	<u>4.0%</u>
Total long-term debt	<u>\$ 85,316,074</u>	<u>\$ 90,761,579</u>	<u>\$ 95,571,836</u>	<u>\$ 100,606,735</u>
Average daily attendance at P-2 <sup>2</sup>	<u>12,085</u>	<u>12,086</u>	<u>12,228</u>	<u>12,349</u>

The General Fund balance has decreased by \$6.2 million over the past two years. The fiscal year 2014-15 adopted budget projects an increase of \$0.6 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, but does not anticipate incurring an operating deficit during the 2014-15 fiscal year. Long-term debt has decreased by \$9.8 million over the past two years.

Average daily attendance has decreased by 263 over the past two years. ADA is expected to remain stable during fiscal year 2014-15.

<sup>1</sup> Available reserves consist of all unassigned fund balances in the General Fund.

<sup>2</sup> Excludes Adult Education ADA.

<sup>3</sup> Revised Budget September, 2014.

<sup>4</sup> 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.

**LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT**  
*Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended June 30, 2014*

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster				
School Breakfast Program - Especially Needy	10.553	13526	\$ 116,725	
National School Lunch Program	10.555	13523	1,324,753	
USDA Donated Foods	10.555	N/A	159,756	
Summer Food Service Program Operations	10.559	13004	15,195	
Subtotal Child Nutrition Cluster				\$ 1,616,429
CACFP Claims - Centers and Family Day Care	10.558	13393		37,791
Total U.S. Department of Agriculture				<u>1,654,220</u>
U.S. Department of Education:				
Indian Education	84.060	10011		80,420
Passed through California Dept. of Education (CDE):				
Adult Basic Education (ABE):				
Adult Basic Education Cluster				
Adult Basic Education & ESL	84.002A	14508	58,839	
Adult Secondary Education	84.002	13978	17,201	
English Literacy & Civics Education	84.002A	14109	24,741	
Subtotal Adult Basic Education Cluster				100,781
No Child Left Behind (NCLB):				
Title I, Part A Cluster				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	1,448,797	
Title I, Part A, Program Improvement	84.010	14957	188,347	
Subtotal Title I, Part A Cluster				1,637,144
Title I, Part C, Migrant Ed (Regular and Summer Program)	84.011	14838		237,055
Title I, Part G, Advanced Placement Test Fee Reimbursement	84.330B	14831		1,800
Improving Teacher Quality State Grants Cluster				
Title II, Part A, Teacher Quality Local	84.367	14341	549,203	
Title II, Part A, Administrator Training	84.367	14344	500	
Subtotal Improving Teacher Quality State Grants Cluster				549,703
Title III, Limited English Proficiency	84.365	14346		114,546
Vocational and Applied Tech Secondary II, Carl Perkins Act	84.048	14894		65,319
Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster				
Local Assistance Entitlement	84.027	13379	2,060,163	
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	57,387	
Preschool Local Entitlement, Part B	84.027A	13682	123,084	
Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	141,307	
Preschool Staff Development	84.173A	13431	778	
Subtotal Special Education Cluster (IDEA)				2,382,719
Total U.S. Department of Education				<u>5,169,487</u>
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education:				
Medi-Cal Billing Option	93.778	10013		111,555
Total U.S. Department of Health & Human Services				<u>111,555</u>
Total Expenditures of Federal Awards				<u>\$ 6,935,262</u>

**LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT**

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

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	<u>Capital Facilities Fund</u>
June 30, 2014, annual financial and budget report fund balance	\$ 3,618,142
Adjustments and reclassifications:	
Increase in accounts payable	<u>(192,833)</u>
June 30, 2014, reported financial statement fund balance	<u><u>\$ 3,425,309</u></u>

# LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT

*Note to the Supplementary Information*

*June 30, 2014*

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## **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 participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has not met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at the required level 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, 2014, 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 October 24, 2014.

**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.

**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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2014-1.

**Livermore Valley Joint Unified School District's Response to Finding**

Livermore Valley Joint Unified School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Livermore Valley Joint Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

A handwritten signature in blue ink that reads "Nigro+Nigro, PC". The signature is written in a cursive, flowing style.

Murrieta, California  
October 24, 2014



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

Report on Compliance for State Programs

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 2013-14, published by the Education Audit Appeals Panel, for the year ended June 30, 2014. Livermore Valley Joint Unified School District's state programs are identified below.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Livermore Valley Joint Unified School District's State programs based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to below occurred. An audit includes examining, on a test basis, evidence about 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 State program. However, our audit does not provide a legal determination of Livermore Valley Joint Unified School District's compliance.

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

Description	Procedures in Audit Guide	Procedures Performed
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Partial
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Not applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous Records of Attendance	8	Not applicable
Mode of Instruction	1	Not applicable
Nonclassroom-Based Instruction/Independent Study	15	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	3	Not applicable
Annual Instructional Minutes – Classroom Based	4	Not applicable
Charter School Facility Grant Program	1	Not applicable

The District did not have an approved plan by the California Energy Commission as of June 30, 2014, therefore, only a portion of the procedures could be performed.

***Opinion on Compliance with State Programs***

In our opinion, Livermore Valley Joint Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2014.

***Other Matter***

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

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

Livermore Valley Joint Unified School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Livermore Valley Joint Unified School District's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response.

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



Murrieta, California  
October 24, 2014



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND 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, 2014. 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, 2014.

### **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.



Murrieta, California  
October 24, 2014

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***Findings and Questioned Costs***

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**LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT**

*Summary of Audit Findings and Questioned Costs*

*For the Fiscal Year Ended June 30, 2014*

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

***Financial Statements***

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

***Federal Awards***

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A Cluster</u>
	<u>Improving Teacher Quality State Grants</u>
<u>84.367</u>	<u>Cluster</u>

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

***State Awards***

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

**LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2014*

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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

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

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

**LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2014*

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

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

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

**LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2014*

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

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

**Finding 2014-1: CALPADS Unduplicated Pupil Count (40000)**

**Criteria:** In order to be counted in CALPADS report 1.17 a student must have an open primary or short-term enrollment in CALPADS over Census Day (the first Wednesday in October) and meet one or more of the following criteria:

- Have a program record with an education program code of Homeless, Migrant, Free Meal Program, or Reduced-Price Meal Program, that is open over Census Day
- Have an English Language Acquisition Status (ELAS) of “English learner” (EL) that is effective over Census Day
- Be directly certified in July through November as being eligible for free meals based on a statewide match conducted by CALPADS
- Be identified as a foster youth based on a statewide match conducted by CALPADS
- Be identified as a foster youth through a local data matching process and submitted to and validated by CALPADS (functionality will be implemented fall 2014)

**Condition:** During our testing of the free and reduced price meal eligible students reported in the CALPADS 1.17 and 1.18 reports, we noted one student who was reported as free or reduced priced meal eligible who did not have an application on file for the 2013-14 fiscal year. In addition, during our testing of English learner students, we noted one student who was classified as an English learner in CALPADS, but did not meet the criteria to be considered an English learner.

**Context:** These errors appear isolated and do not appear to be representative of the population as a whole.

**Questioned Costs:** \$457. This amount was determined by calculating the difference between the District’s original total LCFF revenues and the LCFF revenues adjusted for the decrease in the unduplicated pupil count.

**Effect:** The unduplicated pupil count reported in the CALPADS 1.17 and 1.18 reports should be adjusted for the following changes as a result of the procedures performed:

School Site	CALPADS Reported	Adjusted based on eligibility for:		Adjusted Total
		FRPM	EL Funding	
Del Valle Continuation High	72	(1)	-	71
Leo R. Croce Elementary	202	-	(1)	201
Aggregate remaining school sites	3333	-	-	3,333
District-wide	3,607	(1)	(1)	3,605

The enrollment count of 12,539 was not impacted as a result of the procedures performed.

**LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2014*

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**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS (continued)**

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

**Recommendation:** The District should implement procedures that include a reconciliation of CALPADS data to the underlying records prior to the submission of the CALPADS report.

**District Response:** We are committed to ensuring that the data submitted through CALPADS mirrors the data in our student information database. With the evolving CALPADS extracts for English Learner (EL) and Free or Reduced Price Meal Program (FRPM) status', somehow this data pulled did not match the data in our student information database. Therefore, we will continue to work with both systems to resolve the discrepancies. As a precautionary measure, we will go through the data extract and check each EL and FRPM status one by one to ensure that the data extracted mirrors the data in our student information database prior to submitting the CALPADS report.

**LIVERMORE VALLEY JOINT UNIFIED SCHOOL DISTRICT**  
*Summary Schedule of Prior Audit Findings*  
*For the Fiscal Year Ended June 30, 2014*

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



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, 2014, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated October 24, 2014, on the financial statements of Livermore Valley Joint Unified School District.

#### **ASSOCIATED STUDENT BODY (ASB) FUNDS**

**Observation:** During our review of ticket reconciliation forms at **Granada High**, we noted large overages and shortages between the amounts calculated and the cash deposited. These overages and shortages made it impossible for us to verify whether all cash collected had been deposited intact.

**Recommendation:** We recommend that additional controls be implemented at this site. Proper controls of gate receipts dictate that ticket prices are defined in advance with a set dollar amount based on the color of the ticket. Each color set of prenumbered tickets must have the beginning ending numbers recorded on a ticket control worksheet which results in an expected cash collection amount. All cash collections should be done by predetermined individuals. These individuals should be held accountable for any overages or shortages. All future overages and shortages should be investigated further to determine the cause and identify any potentially missing funds.

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

Murrieta, California  
October 24, 2014