



**PALOS VERDES PENINSULA UNIFIED  
SCHOOL DISTRICT**

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2013**

# PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
Palos Verdes Peninsula Unified School District  
Palos Verdes Estates, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Palos Verdes Peninsula Unified School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-2013*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 12 and budgetary comparison and other postemployment benefit information on pages 54 and 55, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Palos Verdes Peninsula Unified School District's basic financial statements. The accompanying supplementary information such as the Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information, as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2013, on our consideration of the Palos Verdes Peninsula Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Palos Verdes Peninsula Unified School District's internal control over financial reporting and compliance.

VADRENSE TRINE, Day + Co, LLP

Rancho Cucamonga, California  
December 5, 2013



MALAGA COVE  
ADMINISTRATION  
CENTER

375 Via Almar  
Palos Verdes Estates  
California 90274-1261  
[www.pvpusd.k12.ca.us](http://www.pvpusd.k12.ca.us)

Walker Williams  
Superintendent of Schools

Board of Education

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Vice President

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# Palos Verdes Peninsula Unified School District

This section of Palos Verdes Peninsula Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2013. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## OVERVIEW OF THE FINANCIAL STATEMENTS

### The Financial Statements

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

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

*Governmental* and the *Business-Type Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

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

The *Proprietary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fiduciary Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

*Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements* is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Palos Verdes Peninsula Unified School District.

# PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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### REPORTING THE DISTRICT AS A WHOLE

#### The Statement of Net Position and the Statement of Activities

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

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

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

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

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

**Business-type activities** - The District charges fees to help it cover the costs of certain services it provides. The District's child care program is included here.

### REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

#### Fund Financial Statements

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

# PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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

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

### THE DISTRICT AS TRUSTEE

#### Reporting the District's Fiduciary Responsibilities

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

### FINANCIAL HIGHLIGHTS OF THE PAST YEAR

1. The District maintained manageable class sizes within contractual obligations.
2. Filed Notice of Completion on the asphalt projects at Cornerstone Elementary, Dapplegray Elementary, Soleado Elementary, Valmonte Elementary, and Palos Verdes Peninsula High School.
3. Filed Notice of Completion on the plumbing projects at Vista Grande Elementary, Palos Verdes Intermediate School, and Rancho del Mar.
4. Filed Notice of Completion on the Baseball Clubhouse at Palos Verdes High School.
5. Implemented point-of-sale software at all Elementary Cafeteria locations.
6. In 2012-2013, the District API score grew from 924 to 925.

# PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

### THE DISTRICT AS A WHOLE

#### Net Position

The District's net position was \$100,824,797 for the fiscal year ended June 30, 2013. Of this amount, \$15,446,162 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants grantors, constitutional provisions and enabling legislation that limit the governing board's ability to use that net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

**Table 1**

	Governmental Activities		Business-Type Activities		School District Activities	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 47,042,186	\$ 52,174,733	\$ 3,641,976	\$ 3,506,112	\$ 50,684,162	\$ 55,680,845
Capital assets	168,842,192	164,179,081	184,710	212,090	169,026,902	164,391,171
<b>Total Assets</b>	<b>215,884,378</b>	<b>216,353,814</b>	<b>3,826,686</b>	<b>3,718,202</b>	<b>219,711,064</b>	<b>220,072,016</b>
Current liabilities	19,939,329	18,101,943	662,950	764,150	20,602,279	18,866,093
Long-term obligations	98,283,988	94,665,328	-	-	98,283,988	94,665,328
<b>Total Liabilities</b>	<b>118,223,317</b>	<b>112,767,271</b>	<b>662,950</b>	<b>764,150</b>	<b>118,886,267</b>	<b>113,531,421</b>
Net Position						
Net investment in capital assets	76,863,166	73,668,856	184,710	212,090	77,047,876	73,880,946
Restricted	5,351,733	10,778,998	2,979,026	2,741,962	8,330,759	13,520,960
Unrestricted	15,446,162	19,138,689	-	-	15,446,162	19,138,689
<b>Total Net Position</b>	<b>\$ 97,661,061</b>	<b>\$ 103,586,543</b>	<b>\$ 3,163,736</b>	<b>\$ 2,954,052</b>	<b>\$ 100,824,797</b>	<b>\$ 106,540,595</b>

The \$15,446,162 million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by 19.3 percent (\$15,446,162 million compared to \$19,138,689 million).

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2013**

**Changes in Net Position**

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 14. Table 2 takes the information from the Statement, and rearranges them slightly so you can see our total revenues for the year.

**Table 2**

	Governmental Activities		Business-Type Activities		School District Activities	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 59,330	\$ 33,867	\$ 5,286,123	\$ 4,943,246	\$ 5,345,453	\$ 4,977,113
Operating grants and contributions	9,511,701	12,384,074	-	-	9,511,701	12,384,074
Capital grants and contributions	30,621	3,657,095	-	-	30,621	3,657,095
General revenues:						
Federal and State aid not restricted	29,673,151	35,324,409	-	-	29,673,151	35,324,409
Property taxes	52,246,692	45,698,469	-	-	52,246,692	45,698,469
Other general revenues	16,128,230	11,650,471	15,025	24,135	16,143,255	11,674,606
<b>Total Revenues</b>	<b>107,649,725</b>	<b>108,748,385</b>	<b>5,301,148</b>	<b>4,967,381</b>	<b>112,950,873</b>	<b>113,715,766</b>
<b>Expenses</b>						
Instruction-related	75,421,476	74,789,707	-	-	75,421,476	74,789,707
Student support services	8,479,669	7,827,949	4,781,856	4,440,631	13,261,525	12,268,580
Administration	10,508,686	7,965,158	-	-	10,508,686	7,965,158
Plant services	9,852,193	9,098,286	-	-	9,852,193	9,098,286
Other	9,622,790	8,328,790	-	-	9,622,790	8,328,790
<b>Total Expenses</b>	<b>113,884,814</b>	<b>108,009,890</b>	<b>4,781,856</b>	<b>4,440,631</b>	<b>118,666,670</b>	<b>112,450,521</b>
Transfers	309,607	-	(309,607)	-	-	-
<b>Change in Net Position</b>	<b>\$ (5,925,482)</b>	<b>\$ 738,495</b>	<b>\$ 209,685</b>	<b>\$ 526,750</b>	<b>\$ (5,715,797)</b>	<b>\$ 1,265,245</b>

**Governmental Activities**

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was \$113,884,814. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$52,246,692 because the cost was paid by those who benefited from the programs or by other governments and organizations who subsidized certain programs with grants and contributions (\$9,601,652). We paid for the remaining "public benefit" portion of our governmental activities with \$45,801,381 in Federal and State unrestricted funds and with other revenues, such as interest and general entitlements.

# PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2013**

In Table 3, we have presented the cost and net cost of each of the District's largest governmental activities functions - regular and special program instruction, instructional-related activities, home-to-school transportation, other pupil services, general administration, maintenance and operations, ancillary services, interest on long-term obligations and all other functions. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

**Table 3**

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction	\$ 68,108,012	\$ 67,700,028	\$ 60,049,914	\$ 53,754,328
Instruction-related activities	7,313,464	7,089,679	7,026,779	6,497,942
Home-to-school transportation	785,618	708,100	456,564	378,417
Other pupil services	7,694,051	7,119,849	6,960,060	6,313,059
General administration	10,508,686	7,965,158	10,451,775	7,690,531
Maintenance and operations	9,852,193	9,098,286	9,838,754	9,077,336
Ancillary services	2,198,395	2,477,355	2,198,395	2,477,355
Interest on long-term obligations	4,284,354	4,140,153	4,160,880	4,140,153
Other	3,140,041	1,711,282	3,140,041	1,605,733
<b>Total</b>	<b>\$ 113,884,814</b>	<b>\$ 108,009,890</b>	<b>\$ 104,283,162</b>	<b>\$ 91,934,854</b>

## THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$26,391,327, which is a decrease of \$6,886,671 from last year.

**Table 4**

	Fund Balance			
	June 30, 2012	Revenues	Expenditures	June 30, 2013
General Fund	\$ 15,618,162	\$ 97,224,463	\$ 98,597,652	\$ 14,244,973
Special Reserve Fund For Capital				
Outlay Projects	4,302,410	1,900,876	1,114,287	5,088,999
Adult Education Fund	187,967	190,443	213,913	164,497
Cafeteria Fund	268,646	2,523,474	2,626,271	165,849
Deferred Maintenance Fund	633,861	721,372	270,162	1,085,071
Building Fund	1,341,775	112,563	1,454,338	-
Capital Facilities Fund	777,165	533,590	668,750	642,005
County School Facilities Fund	7,027,390	30,622	5,700,213	1,357,799
Bond Interest and Redemption Fund	3,120,622	4,721,601	4,200,089	3,642,134
<b>Total</b>	<b>\$ 33,277,998</b>	<b>\$ 107,959,004</b>	<b>\$ 114,845,675</b>	<b>\$ 26,391,327</b>

The primary reason for this decrease is the District has spent down the Construction Funds as part of the Facilities Master Plan.

# PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

### General Fund Budgetary Highlights

The Adopted Budget was presented to the Board on June 28, 2012. Budget revisions were brought forth throughout the year, with the last revision done in May 2013.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2013, the District had \$169,026,902 million in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions and depreciation) of \$4,635,731 million, or 2.8 percent, from last year (Table 5).

**Table 5**

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land and construction in process	\$ 14,002,129	\$ 21,181,413	\$ -	\$ -	\$ 14,002,129	\$ 21,181,413
Buildings and improvements	153,011,234	141,022,866	184,710	212,090	153,195,944	141,234,956
Furniture and equipment	1,828,829	1,974,802	-	-	1,828,829	1,974,802
<b>Total</b>	<b>\$ 168,842,192</b>	<b>\$ 164,179,081</b>	<b>\$ 184,710</b>	<b>\$ 212,090</b>	<b>\$ 169,026,902</b>	<b>\$ 164,391,171</b>

Financing for these capital projects came from general obligation bonds, State construction matching funds, sale of site funds and local gifting.

#### Long-Term Obligations

At the end of this year, the District had \$98.3 million in obligations versus \$94.7 million last year, an increase of 3.8 percent. These obligations consisted of:

**Table 6**

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
General obligation bonds - net (Financed with property taxes)	\$ 91,307,596	\$ 91,260,922	\$ -	\$ -	\$ 91,307,596	\$ 91,260,922
Capitalized lease obligations	772,098	700,898	-	-	772,098	700,898
Compensated absences	1,398,000	1,412,140	-	-	1,398,000	1,412,140
Supplemental early retirement plan (SERP)	2,748,645	-	-	-	2,748,645	-
Other postemployment benefits (OPEB)	2,057,649	1,291,368	-	-	2,057,649	1,291,368
<b>Total</b>	<b>\$ 98,283,988</b>	<b>\$ 94,665,328</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 98,283,988</b>	<b>\$ 94,665,328</b>

# **PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2013**

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### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Deputy Superintendent, Business Services at 310-378-9966, at Palos Verdes Peninsula Unified School District, Palos Verde Estates, California.

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**STATEMENT OF NET POSITION  
JUNE 30, 2013**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Deposits and investments	\$ 35,721,839	\$ 3,614,786	\$ 39,336,625
Receivables	9,733,106	26,090	9,759,196
Prepaid expenses	50,634	1,100	51,734
Stores inventories	133,354	-	133,354
Deferred cost on issuance	1,194,921	-	1,194,921
Deferred charges on issuance	100,668	-	100,668
Capital assets			
Land and construction in process	14,002,129	-	14,002,129
Other capital assets	210,152,228	753,500	210,905,728
Less: Accumulated depreciation	(55,312,165)	(568,790)	(55,880,955)
Total Capital Assets	<u>168,842,192</u>	<u>184,710</u>	<u>169,026,902</u>
<b>Total Assets</b>	<u>215,776,714</u>	<u>3,826,686</u>	<u>219,603,400</u>
<b>LIABILITIES</b>			
Accounts payable	14,166,191	353,966	14,520,157
Accrued interest payable	584,059	-	584,059
Deferred revenue	81,415	308,984	390,399
Current loans	5,000,000	-	5,000,000
Long-term obligations			
Current portion of long-term obligations	2,964,071	-	2,964,071
Noncurrent portion of long-term obligations	95,319,917	-	95,319,917
Total Long-Term Obligations	<u>98,283,988</u>	<u>-</u>	<u>98,283,988</u>
<b>Total Liabilities</b>	<u>118,115,653</u>	<u>662,950</u>	<u>118,778,603</u>
<b>NET POSITION</b>			
Net investment in capital assets	76,863,166	184,710	77,047,876
Restricted for:			
Debt service	3,058,075	-	3,058,075
Capital projects	1,999,804	-	1,999,804
Educational programs	178,439	-	178,439
Other activities	115,415	2,979,026	3,094,441
Unrestricted	15,446,162	-	15,446,162
<b>Total Net Position</b>	<u>\$ 97,661,061</u>	<u>\$ 3,163,736</u>	<u>\$ 100,824,797</u>

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

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
Instruction	\$ 68,108,012	\$ 55,229	\$ 7,972,248	\$ 30,621
Instruction-related activities:				
Supervision of instruction	1,040,290	266	269,042	-
Instructional library, media, and technology	437,696	-	-	-
School site administration	5,835,478	89	17,288	-
Pupil services:				
Home-to-school transportation	785,618	-	329,054	-
Food services	2,519,766	-	259,341	-
All other pupil services	5,174,285	2,177	472,473	-
Administration:				
Data processing	1,041,431	-	-	-
All other administration	9,467,255	57	56,854	-
Plant services	9,852,193	916	12,523	-
Facility acquisition and construction	164,051	-	-	-
Ancillary services	2,198,395	-	-	-
Community services	1,752	-	-	-
Interest on long-term obligations	4,284,354	596	122,878	-
Other outgo	2,974,238	-	-	-
<b>Total Governmental Activities</b>	<b>113,884,814</b>	<b>59,330</b>	<b>9,511,701</b>	<b>30,621</b>
<b>Business-Type Activities</b>				
Child Care	4,781,856	5,286,123	-	-
<b>Total Business-Type Activities</b>	<b>4,781,856</b>	<b>5,286,123</b>	<b>-</b>	<b>-</b>
<b>Total School District</b>	<b>\$ 118,666,670</b>	<b>\$ 5,345,453</b>	<b>\$ 9,511,701</b>	<b>\$ 30,621</b>

**General revenues and subventions:**

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Taxes levied for other specific purposes
- Federal and State aid not restricted to specific purposes
- Interest and investment earnings
- Transfers
- Miscellaneous

**Subtotal, General Revenues**

**Change in Net Position**

- Net Position - Beginning
- Net Position - Ending

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

**Net (Expenses) Revenues and  
Changes in Net Position**

<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
\$ (60,049,914)	\$ -	\$ (60,049,914)
(770,982)	-	(770,982)
(437,696)	-	(437,696)
(5,818,101)	-	(5,818,101)
(456,564)	-	(456,564)
(2,260,425)	-	(2,260,425)
(4,699,635)	-	(4,699,635)
(1,041,431)	-	(1,041,431)
(9,410,344)	-	(9,410,344)
(9,838,754)	-	(9,838,754)
(164,051)	-	(164,051)
(2,198,395)	-	(2,198,395)
(1,752)	-	(1,752)
(4,160,880)	-	(4,160,880)
(2,974,238)	-	(2,974,238)
<u>(104,283,162)</u>	<u>-</u>	<u>(104,283,162)</u>
-	504,267	504,267
-	504,267	504,267
<u>(104,283,162)</u>	<u>504,267</u>	<u>(103,778,895)</u>
40,037,824	-	40,037,824
4,691,459	-	4,691,459
7,517,409	-	7,517,409
29,673,151	-	29,673,151
-	15,025	15,025
309,607	(309,607)	-
<u>16,128,230</u>	<u>-</u>	<u>16,128,230</u>
<u>98,357,680</u>	<u>(294,582)</u>	<u>98,063,098</u>
(5,925,482)	209,685	(5,715,797)
<u>103,586,543</u>	<u>2,954,051</u>	<u>106,540,594</u>
<u>\$ 97,661,061</u>	<u>\$ 3,163,736</u>	<u>\$ 100,824,797</u>

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2013**

	<b>General Fund</b>	<b>Special Reserve Fund For Capital Outlay Projects</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Deposits and investments	\$ 21,267,226	\$ 5,225,424	\$ 9,229,189	\$ 35,721,839
Receivables	9,621,266	5,009	106,831	9,733,106
Due from other funds	107,664	-	-	107,664
Prepaid expenditures	50,634	-	-	50,634
Stores inventories	85,770	-	47,584	133,354
<b>Total Assets</b>	<b>\$ 31,132,560</b>	<b>\$ 5,230,433</b>	<b>\$ 9,383,604</b>	<b>\$ 45,746,597</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 11,828,036	\$ 141,434	\$ 2,196,721	\$ 14,166,191
Due to other funds	-	-	107,664	107,664
Current loan	5,000,000	-	-	5,000,000
Deferred revenue	59,551	-	21,864	81,415
<b>Total Liabilities</b>	<b>16,887,587</b>	<b>141,434</b>	<b>2,326,249</b>	<b>19,355,270</b>
<b>Fund Balances:</b>				
Nonspendable	146,404	-	50,434	196,838
Restricted	178,439	-	5,757,353	5,935,792
Committed	-	-	1,249,568	1,249,568
Assigned	10,384,350	5,088,999	-	15,473,349
Unassigned	3,535,780	-	-	3,535,780
<b>Total Fund Balances</b>	<b>14,244,973</b>	<b>5,088,999</b>	<b>7,057,355</b>	<b>26,391,327</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 31,132,560</b>	<b>\$ 5,230,433</b>	<b>\$ 9,383,604</b>	<b>\$ 45,746,597</b>

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

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013**

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<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 26,391,327</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is:	\$ 224,154,357	
Accumulated depreciation is:	<u>(55,312,165)</u>	
Net Capital Assets		168,842,192
The District has refunded debt obligations. The difference between the amounts that were sent to escrow agents for the payment of the old debts and the actual remaining debt obligations will be amortized as an adjustment to interest expense over the remaining life of the refunded debt. This balance represents the unamortized deferred charges on refunding remaining as of June 30, 2013.		100,668
Expenditures relating to issuance of debt were recognized in modified accrual basis, but should not be recognized in accrual basis.		1,194,921
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred.		(584,059)
Long-term obligations at year-end consist of:		
General obligation bonds	77,661,571	
Unamortized premium on general obligation bonds	1,212,317	
Unamortized discount on general obligation bonds	(45,199)	
Capital lease obligations	772,098	
Compensated absences	1,398,000	
Supplemental early retirement plan	2,748,645	
Other postemployment benefits (OPEB)	2,057,649	
In addition, the District has issued "capital appreciation" general obligation bonds. The accretion of interest on the general obligation bonds to date is:	<u>12,478,907</u>	
Total Long-Term Obligations		<u>(98,283,988)</u>
<b>Total Net Position - Governmental Activities</b>		<b><u><u>\$ 97,661,061</u></u></b>

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

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>General Fund</b>	<b>Special Reserve Fund For Capital Outlay Projects</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Revenue limit sources	\$ 61,065,924	\$ -	\$ -	\$ 61,065,924
Federal sources	3,331,057	-	354,478	3,685,535
Other State sources	16,211,793	-	499,782	16,711,575
Other local sources	15,996,803	876,321	7,679,405	24,552,529
<b>Total Revenues</b>	<b>96,605,577</b>	<b>876,321</b>	<b>8,533,665</b>	<b>106,015,563</b>
<b>EXPENDITURES</b>				
Current				
Instruction	65,403,812	-	108,960	65,512,772
Instruction-related activities:				
Supervision of instruction	1,031,122	-	-	1,031,122
Instructional library, media and technology	433,671	-	-	433,671
School site administration	5,687,614	-	96,127	5,783,741
Pupil services:				
Home-to-school transportation	785,618	-	-	785,618
Food services	-	-	2,507,108	2,507,108
All other pupil services	5,131,960	-	-	5,131,960
Administration:				
Data processing	1,035,060	-	-	1,035,060
All other administration	4,126,508	-	116,866	4,243,374
Plant services	9,746,733	-	6,048	9,752,781
Facility acquisition and construction	309,279	1,114,287	7,875,694	9,299,260
Ancillary services	2,186,168	-	-	2,186,168
Community services	1,752	-	-	1,752
Other outgo	1,105,461	-	-	1,105,461
Debt service				
Principal	47,793	-	2,090,286	2,138,079
Interest and other	240,546	-	2,332,647	2,573,193
<b>Total Expenditures</b>	<b>97,273,097</b>	<b>1,114,287</b>	<b>15,133,736</b>	<b>113,521,120</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(667,520)</b>	<b>(237,966)</b>	<b>(6,600,071)</b>	<b>(7,505,557)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	309,607	1,024,555	300,000	1,634,162
Other sources	309,279	-	-	309,279
Transfers out	(1,324,555)	-	-	(1,324,555)
<b>Net Financing Sources (Uses)</b>	<b>(705,669)</b>	<b>1,024,555</b>	<b>300,000</b>	<b>618,886</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,373,189)</b>	<b>786,589</b>	<b>(6,300,071)</b>	<b>(6,886,671)</b>
<b>Fund Balances - Beginning</b>	<b>15,618,162</b>	<b>4,302,410</b>	<b>13,357,426</b>	<b>33,277,998</b>
<b>Fund Balances - Ending</b>	<b>\$ 14,244,973</b>	<b>\$ 5,088,999</b>	<b>\$ 7,057,355</b>	<b>\$ 26,391,327</b>

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

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013**

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**Total Net Change in Fund Balances - Governmental Funds** **\$ (6,886,671)**  
**Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:**

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

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

Capital outlays	\$ 9,135,209	
Depreciation expense	<u>(4,472,098)</u>	
Net Expense Adjustment		4,663,111

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

(309,279)

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

(766,281)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (supplemental early retirement plan) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits added were more than paid by \$2,748,645. Vacation used was more than the amounts earned by \$14,140.

(2,734,505)

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

General obligation bonds	1,900,000
Capital lease obligations	238,079

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

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued FOR THE YEAR ENDED JUNE 30, 2013**

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

Amortization of debt premium	\$ 64,181	
Amortization of debt discount	(3,637)	
Amortization of deferred cost of issuance	(84,160)	
Amortization of deferred amount on refunding	<u>(9,152)</u>	
Combined Adjustment		\$ (32,768)

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds decreased by \$10,050, and second, \$2,007,218 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

	(1,997,168)
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ (5,925,482)</u></u></b>

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

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

	<b>Business-Type Activities Enterprise Funds Child Care</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Deposits and investments	\$ 3,614,786
Receivables	26,090
Prepaid expenses	1,100
<b>Total Current Assets</b>	<u>3,641,976</u>
<b>Noncurrent Assets</b>	
Capital assets	753,500
Less: accumulated depreciation	<u>(568,790)</u>
<b>Total Noncurrent Assets</b>	<u>184,710</u>
<b>Total Assets</b>	<u>3,826,686</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	353,966
Deferred revenue	<u>308,984</u>
<b>Total Current Liabilities</b>	<u>662,950</u>
<b>NET POSITION</b>	
Net investment in capital assets	184,710
Restricted	<u>2,979,026</u>
<b>Total Net Position</b>	<u>\$ 3,163,736</u>

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

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Business-Type Activities Enterprise Funds Child Care</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 5,079,617
Charges to other funds and miscellaneous revenues	206,506
<b>Total Operating Revenues</b>	<u>5,286,123</u>
<b>OPERATING EXPENSES</b>	
Payroll costs	4,175,958
Supplies and materials	316,497
Facility rental	89,573
Other operating cost	172,448
Depreciation	27,380
<b>Total Operating Expenses</b>	<u>4,781,856</u>
<b>Operating Income</b>	<u>504,267</u>
<b>NONOPERATING REVENUES</b>	
Interest income	15,025
Transfers out	(309,607)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(294,582)</u>
<b>Change in Net Position</b>	209,685
<b>Total Net Position - Beginning</b>	2,954,051
<b>Total Net Position - Ending</b>	<u>\$ 3,163,736</u>

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

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Business-Type Activities Enterprise Funds Child Care</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from customers	\$ 4,999,840
Other operating cash receipts	206,506
Cash payments to employees for services	(4,175,958)
Cash payments to other suppliers of goods or services	(432,655)
Other operating cash payments	(172,448)
Net Cash Provided by Operating Activities	<u>425,285</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers out	<u>(309,607)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>15,025</u>
Net Increase in Cash and Cash Equivalents	130,703
Cash and Cash Equivalents - Beginning	3,484,083
Cash and Cash Equivalents - Ending	<u><u>\$ 3,614,786</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 504,267
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	27,380
Changes in assets and liabilities:	
Receivables	(11,978)
Prepaid expense	6,816
Accounts payable	(33,401)
Deferred revenue	(67,799)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 425,285</u></u>

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

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Deposits and investments	\$ 1,914,641
Amounts due from employees	357,717
Stores inventories	43,178
<b>Total Assets</b>	<u><u>\$ 2,315,536</u></u>
 <b>LIABILITIES</b>	
Due to student groups	<u><u>\$ 2,315,536</u></u>

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

# PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The Palos Verdes Peninsula Unified School District (the District) was established in 1961, under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies for nine K-5 schools, one 1-5 school, two kindergarten schools, three 6-8 schools, two four-year high schools, one continuation high school and one adult education school, a special education early childhood education program, a fee-based preschool and a child care program.

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

#### Basis of Presentation - Fund Accounting

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

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

#### Major Governmental Funds

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

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets, fund balance, revenues, expenditures, and other financing uses of \$4,764,758, \$4,392,893, \$119,201, and \$309,279, respectively.

# PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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**Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

### Non-Major Governmental Funds

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

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

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

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

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

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

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

**County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

# PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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**Debt Service Funds** The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term debt.

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

**Proprietary Funds** Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary fund:

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

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

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB) and the volunteer payroll withholdings of District employees.

### **Basis of Accounting - Measurement Focus**

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

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

# PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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Net position should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

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

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

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

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

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

# PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2013**

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

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

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

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

### **Investments**

Investments held at June 30, 2013, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

### **Prepaid Expenditures**

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

### **Stores Inventories**

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

# **PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

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### **Capital Assets and Depreciation**

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

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

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the capital assets of governmental funds. Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 20 years; equipment, five to 15 years.

### **Interfund Balances**

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

### **Compensated Absences**

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

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

# PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. Premiums and discounts on issuance of long-term obligations, as well as issuance costs (deferred charges), are deferred and amortized over the life of the related debt using the effective interest method. Long-term obligations payable are reported net of the applicable premium or discount.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

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

### Deferred Issuance Costs, Premiums and Discounts

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

### Fund Balances - Governmental Funds

As of June 30, 2013, fund balances of the governmental funds are classified as follows:

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

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

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

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

**Unassigned** - all other spendable amounts.

# **PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

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### **Spending Order Policy**

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

### **Minimum Fund Balance Policy**

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

### **Net Position**

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The District has related debt outstanding as of June 30, 2013. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$812,074 of net position which is restricted by enabling legislation.

### **Interfund Activity**

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

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

### **Estimates**

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

# PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### **Budgetary Data**

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

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

### **Property Tax**

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

### **Changes in Accounting Principles**

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

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

The District has implemented the provisions of this Statement for the year ended June 30, 2013.

# PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. 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.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Early implementation is encouraged.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

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

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

# PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2013**

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- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

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

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

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

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

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

# PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2013, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 35,721,839
Business-type activities	3,614,786
Fiduciary funds	1,914,641
Total Deposits and Investments	<u>\$ 41,251,266</u>

Deposits and investments as of June 30, 2013, consisted of the following:

Cash on hand and in banks	\$ 4,364,212
Cash in revolving	12,850
Investments	36,874,204
Total Deposits and Investments	<u>\$ 41,251,266</u>

#### Policies and Practices

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

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

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**General Authorizations**

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

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

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the Los Angeles County Investment Pool and purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**Specific Identification**

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

Investment Type	Amortized Cost	Fair Value	Average Maturity in Days
Los Angeles County Investment Pool	\$ 36,874,204	\$ 36,586,201	632

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

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**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. While the District's investment in the Los Angeles County Investment Pool is not required to be rated, nor has been rated as of June 30, 2013.

**Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2013, the District's bank balance of \$1,037,516 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2013, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Activities	Child Care Enterprise Fund
Federal Government					
Categorical aid	\$ 1,772,906	\$ -	\$ 68,784	\$ 1,841,690	\$ -
State Government					
Apportionment	3,666,306	-	17,319	3,683,625	-
Categorical aid	1,639,140	-	2,609	1,641,749	-
Lottery	946,580	-	-	946,580	-
Special Education	1,121,355	-	-	1,121,355	-
Local Government					
Interest	26,341	4,972	15,580	46,893	4,089
Other Local Sources	448,638	37	2,539	451,214	22,001
Total	<u>\$ 9,621,266</u>	<u>\$ 5,009</u>	<u>\$ 106,831</u>	<u>\$ 9,733,106</u>	<u>\$ 26,090</u>

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 4 - CAPITAL ASSETS**

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

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 9,460,558	\$ -	\$ -	\$ 9,460,558
Construction in process	11,720,855	8,963,669	16,142,953	4,541,571
Total Capital Assets Not Being Depreciated	<u>21,181,413</u>	<u>8,963,669</u>	<u>16,142,953</u>	<u>14,002,129</u>
Capital Assets Being Depreciated				
Land improvements	10,229,765	3,236,671	-	13,466,436
Buildings and improvements	178,444,712	12,910,193	-	191,354,905
Furniture and equipment	5,163,258	167,629	-	5,330,887
Total Capital Assets Being Depreciated	<u>193,837,735</u>	<u>16,314,493</u>	<u>-</u>	<u>210,152,228</u>
Less Accumulated Depreciation				
Land improvements	3,121,081	492,964	-	3,614,045
Buildings and improvements	44,530,530	3,665,532	-	48,196,062
Furniture and equipment	3,188,456	313,602	-	3,502,058
Total Accumulated Depreciation	<u>50,840,067</u>	<u>4,472,098</u>	<u>-</u>	<u>55,312,165</u>
Governmental Activities Capital Assets, Net	<u>\$ 164,179,081</u>	<u>\$ 20,806,064</u>	<u>\$ 16,142,953</u>	<u>\$ 168,842,192</u>
<b>Business-Type Activities</b>				
Capital Assets Being Depreciated				
Buildings and improvements	\$ 753,500	\$ -	\$ -	\$ 753,500
Less Accumulated Depreciation				
Buildings and improvements	541,410	27,380	-	568,790
Business-Type Activities Capital Assets, Net	<u>\$ 212,090</u>	<u>\$ (27,380)</u>	<u>\$ -</u>	<u>\$ 184,710</u>

Depreciation expense was charged to governmental and business-type functions as follows:

<b>Governmental Activities</b>		
Instruction		\$ 2,057,165
All other general administration		2,370,212
Plant services		44,721
Total Depreciation Expenses Governmental Activities		<u>4,472,098</u>
<b>Business-Type Activities</b>		
Child Care		27,380
Total Depreciation Expenses All Activities		<u>\$ 4,499,478</u>

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 5 - INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2013, between major and non-major governmental funds, non-major enterprise funds, internal service funds, and fiduciary funds are as follows:

<u>Due From</u>	<u>Due To</u> <u>Non-Major</u> <u>Governmental</u> <u>Funds</u>
General Fund	\$ 107,664

The balance of \$107,664 due to the General Fund from the Cafeteria Non-Major Governmental Fund resulted from indirect and payroll related costs.

**Operating Transfers**

Interfund transfers for the year ended June 30, 2013, consisted of the following:

<u>Transfer To</u>	<u>Transfer From</u>		
	<u>General Fund</u>	<u>Child Care</u> <u>Enterprise</u> <u>Fund</u>	<u>Total</u>
General Fund	\$ -	\$ 309,607	\$ 309,607
Special Reserve Fund for Capital Outlay Projects	1,024,555	-	1,024,555
Non-Major Governmental Funds	300,000	-	300,000
Total	<u>\$ 1,324,555</u>	<u>\$ 309,607</u>	<u>\$ 1,634,162</u>

The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects monies received from the sale of land, and reimbursement of construction costs.

\$ 1,024,555

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

300,000    \$ 1,324,555

The Child Care Enterprise Fund transferred to the General Fund a reimbursement of expenditures and operating costs.

309,607	309,607
<u>309,607</u>	<u>309,607</u>
	<u>\$ 1,634,162</u>

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2013, consisted of the following:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Activities	Child Care Enterprise Fund
State apportionment	\$ 3,844,520	\$ -	\$ -	\$ 3,844,520	\$ -
State categorical programs	209,127	-	-	209,127	-
Salaries and benefits	5,887,329	-	96,405	5,983,734	336,077
Supplies	627,000	-	17,076	644,076	9,619
Services	1,249,024	-	21,604	1,270,628	7,338
Construction	-	141,434	2,059,655	2,201,089	-
Other vendor payables	11,036	-	1,981	13,017	932
Total	<u>\$ 11,828,036</u>	<u>\$ 141,434</u>	<u>\$ 2,196,721</u>	<u>\$ 14,166,191</u>	<u>\$ 353,966</u>

**NOTE 7 - DEFERRED REVENUE**

Deferred revenue at June 30, 2013, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities	Child Care Enterprise Fund
Federal financial assistance	\$ 4,966	\$ -	\$ 4,966	\$ -
Other local	54,585	21,864	76,449	308,984
Total	<u>\$ 59,551</u>	<u>\$ 21,864</u>	<u>\$ 81,415</u>	<u>\$ 308,984</u>

**NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)**

On February 23, 2012, the District issued \$5,000,000 of Tax and Revenue Anticipation Notes bearing interest at 2.0 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on January 2013. By December 2012, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes.

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

The District issued \$5,000,000 of Tax and Revenue Anticipation Notes dated February 20, 2013, through the California School Cash Reserve Program Authority. The notes mature in December 2013, and bear interest at 2.00 percent. The notes were sold to supplement cash flow. Repayment requirements are that a 100 percent of principal and interest be deposited with the Fiscal Agent on account in November 2013.

Issue Date	Rate	Maturity Date	Outstanding July 1, 2012	Additions	Payments	Outstanding June 30, 2013
February 23, 2012	2.00%	1/31/2013	\$ 5,000,000	\$ -	\$ 5,000,000	\$ -
February 20, 2013	2.00%	12/31/2013	-	5,000,000	-	5,000,000
			<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

**Summary**

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

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013	Due in One Year
General obligation bonds	\$ 90,033,260	\$ 2,007,218	\$ 1,900,000	\$ 90,140,478	\$ 2,170,000
Premium on issuance	1,276,498	-	64,181	1,212,317	-
Discount on issuance	(48,836)	-	(3,637)	(45,199)	-
Capital leases	700,898	309,279	238,079	772,098	244,342
Accumulated vacation - net	1,412,140	-	14,140	1,398,000	-
Supplemental early retirement plan (SERP)	-	2,748,645	-	2,748,645	549,729
Other postemployment benefits (OPEB)	1,291,368	1,169,076	402,795	2,057,649	-
Total	<u>\$ 94,665,328</u>	<u>\$ 6,234,218</u>	<u>\$ 2,615,558</u>	<u>\$ 98,283,988</u>	<u>\$ 2,964,071</u>

Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments for capital leases will be paid by the General Fund, the Cafeteria Fund, and the Deferred Maintenance Fund. The accrued vacation will be paid by the fund for which the employee worked. Payments for the Supplemental Early Retirement Program are made from the General Fund. Other postemployment benefits are generally paid by the General Fund.

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**General Obligations Bonds**

The outstanding general obligation bonded debt is as follows:

	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2012	Accreted	Redeemed	Bonds Outstanding June 30, 2013
2000, Series B	3/14/02	11/1/26	3.00-7.72%	\$15,020,098	\$ 3,494,637	\$ 237,222	\$ 480,000	\$ 3,251,859
2000, Series C	3/7/03	11/1/27	2.00-5.42%	10,427,362	13,811,350	717,039	505,000	14,023,389
2005, Refunding	1/20/05	11/1/25	2.50-4.38%	20,400,000	18,775,000	-	645,000	18,130,000
2006, Refunding	3/9/06	11/1/23	3.50-5.00%	11,865,000	11,460,000	-	40,000	11,420,000
2005 (Measure R), Series 2006	3/9/06	3/1/31	3.50-5.00%	23,004,233	25,465,807	562,493	210,000	25,818,300
2005 (Measure S), Series 2006	3/9/06	3/1/31	3.50-7.65%	2,003,988	1,243,701	16,094	20,000	1,239,795
2005 (Measure R), Series 2009	10/6/09	8/1/34	5.68-6.18%	6,994,337	7,977,765	474,370	-	8,452,135
2005 (Measure S), Series 2009	10/6/09	8/1/34	2.00-5.00%	7,995,000	7,805,000	-	-	7,805,000
					<u>\$ 90,033,260</u>	<u>\$ 2,007,218</u>	<u>\$ 1,900,000</u>	<u>\$ 90,140,478</u>

**2000 General Obligation Bonds, Series B**

On March 14, 2002, the District issued the 2000 Series B current and capital appreciation General Obligation Bonds in the amount of \$15,020,098 (accreting to \$22,210,000) to fund reconstruction and modernization of school facilities. The bonds have a final maturity to occur on November 1, 2026, with interest yields varying from 3.00 to 7.72 percent.

On March 9, 2006, the District issued the 2006 General Obligation Refunding Bonds in the amount of \$11,865,000 to advance refund \$11,205,000 of the 2000 General Obligation Bonds, Series B. As a result, the refunded portion of the debt obligation has been removed as a long-term obligation from the government-wide statement of net position. At June, 30, 2013, 2000 General Obligation Bonds, Series B, totaling \$3,251,859 were still outstanding.

**2000 General Obligation Bonds, Series C**

On March 7, 2003, the District issued the 2000 Series C current and capital appreciation General Obligation Bonds in the amount of \$10,427,362 (accreting to \$26,280,000) to fund reconstruction and modernization of school facilities. The bonds have a final maturity to occur on November 1, 2027, with interest yields varying from 2.00 to 5.42 percent. At June, 30, 2013, 2000 General Obligation Bonds, Series C, totaling \$14,023,389 were still outstanding.

# **PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

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### **2005 General Obligation Refunding Bonds**

On January 20, 2005, the District issued the 2005 General Obligation Refunding Bonds in the amount of \$20,400,000. The bonds were issued to advance refund \$18,080,000 of the outstanding 2000 General Obligation Bonds, Series A. The bonds have a final maturity to occur on November 1, 2025, with interest yields varying from 2.50 to 4.38 percent. At June 30, 2013, the principal balance outstanding was \$18,130,000.

### **2006 General Obligation Refunding Bonds**

On March 9, 2006, the District issued the 2006 General Obligation Refunding Bonds in the amount of \$11,865,000. The bonds were issued to advance refund \$11,205,000 of the outstanding 2000 General Obligation Bonds, Series B. The bonds associated with the issuance were placed in an escrow account with U.S. Bank for the future redemption of Series A bonds to occur on November 1, 2012. The bonds have a final maturity to occur on November 1, 2023, with interest yields varying from 3.50 to 5.00 percent. At June 30, 2013, the principal balance outstanding was \$11,420,000.

### **2005 General Obligation Bonds, Series 2006 (Measure R)**

On March 9, 2006, the District issued the 2005 Series 2006 (Measure R) current and capital appreciation General Obligation Bonds in the amount of \$23,004,233 (accreting to \$41,815,000) to fund specific construction, repair and improvement projects for the District's core academic facilities. The bonds have a final maturity to occur on March 1, 2031, with interest yields varying from 3.50 to 5.00 percent. At June, 30, 2013, Measure R 2005 General Obligation Bonds, Series 2006, totaling \$25,818,300 were still outstanding.

### **2005 General Obligation Bonds, Series 2006 (Measure S)**

On March 9, 2006, the District issued the 2005 Series 2006 (Measure S) current and capital appreciation General Obligation Bonds in the amount of \$2,003,988 (accreting to \$2,615,000) to fund specific construction, repair and improvement projects for the District's co-curricular facilities. The bonds have a final maturity to occur on March 1, 2031, with interest yields varying from 3.50 to 7.65 percent. At June, 30, 2013, Measure S 2005 General Obligation Bonds, Series 2006, totaling \$1,239,795 were still outstanding.

### **2005 General Obligation Bonds, Series 2009 (Measure R)**

On October 6, 2009, the District issued the 2005 Series 2009 (Measure R) capital appreciation General Obligation Bonds in the amount of \$6,994,337 (accreting to \$27,325,000) to fund specific construction, repair and improvement projects for the District's core academic facilities. These bonds represent the final issuance authorized under the election held November 8, 2005 in an aggregate principal amount not to exceed \$30,000,000. The bonds have a final maturity to occur on August 1, 2034, with interest yields varying from 5.68 to 6.18 percent. At June, 30, 2013, Measure R 2005 General Obligation Bonds, Series 2009, totaling \$8,452,135 were still outstanding.

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**2005 General Obligation Bonds, Series 2006 (Measure S)**

On October 6, 2009, the District issued the 2005 Series 2009 (Measure S) current General Obligation Bonds in the amount of \$7,995,000 to fund specific construction, repair and improvement projects for the District's co-curricular facilities. These bonds represent the final issuance authorized under the election held November 8, 2005 in an aggregate principal amount not to exceed \$10,000,000. The bonds have a final maturity to occur on August 1, 2034, with interest yields varying from 2.00 to 5.00 percent. At June, 30, 2013, Measure S 2005 General Obligation Bonds, Series 2009, totaling \$7,805,000 were still outstanding.

The bonds mature as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest to Maturity	Current Interest to Maturity	Total
2014	\$ 2,156,688	\$ 13,312	\$ 2,245,126	\$ 4,415,126
2015	2,422,171	42,829	2,180,583	4,645,583
2016	2,788,628	76,372	2,100,077	4,965,077
2017	3,126,011	113,989	2,006,771	5,246,771
2018	3,458,114	156,886	1,904,740	5,519,740
2019-2023	23,573,865	1,841,135	7,345,383	32,760,383
2024-2028	26,827,363	12,782,637	2,886,714	42,496,714
2029-2033	15,145,502	15,849,498	994,075	31,989,075
2034-2035	10,642,136	18,872,864	112,500	29,627,500
Total	<u>\$ 90,140,478</u>	<u>\$ 49,749,522</u>	<u>\$ 21,775,969</u>	<u>\$ 161,665,969</u>

**Capital Leases**

This District has entered into agreements to lease networking equipment and vehicles. Such agreements are, in substance, purchases capital leases, and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

	Equipment
Balance, July 1, 2012	\$ 736,321
Additions	333,714
Payments	(261,931)
Balance, June 30, 2013	<u>\$ 808,104</u>

# PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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The capital leases have minimum lease payments as follows:

Year Ending Balance	Lease Payment
2014	\$ 261,431
2015	225,380
2016	199,272
2017	122,021
Total	<u>808,104</u>
Less: Amount Representing Interest	(36,006)
Present Value of Minimum Lease Payments	<u><u>\$ 772,098</u></u>

### Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2013, amounted to \$1,398,000.

### Supplemental Early Retirement Plans (SERP)

During 2013, the District adopted a supplemental early retirement plan whereby certain eligible employees were provided an annuity to supplement the retirement benefits they were entitled to through the California State Teachers' Retirement. The annuities offered to the employees are to be paid over a five-year period. The annuities, which were purchased for 36 employees who retired during the 2012-2013 school year, were purchased from Pacific Life Insurance Company.

Year Ending Balance	Lease Payment
2014	\$ 549,729
2015	549,729
2016	549,729
2017	549,729
2018	549,729
Total	<u><u>\$ 2,748,645</u></u>

As of June 30, 2013, the remaining balance of the supplemental early retirement plan was \$2,748,645.

### Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2013, was \$1,192,101, and contributions made by the District during the year were \$402,795. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$51,655 and \$(74,680), respectively, which resulted in an increase to the net OPEB obligation of \$766,281. As of June 30, 2013, the net OPEB obligation was \$2,057,649. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**NOTE 10 - FUND BALANCES**

Fund balances are composed of the following elements:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
<b>Nonspendable</b>				
Revolving cash	\$ 10,000	\$ -	\$ 2,850	\$ 12,850
Stores inventories	85,770	-	47,584	133,354
Prepaid expenditures	50,634	-	-	50,634
Total Nonspendable	<u>146,404</u>	<u>-</u>	<u>50,434</u>	<u>196,838</u>
<b>Restricted</b>				
Legally restricted programs	178,439	-	-	178,439
Cafeteria program	-	-	115,415	115,415
Capital projects	-	-	1,999,804	1,999,804
Debt services	-	-	3,642,134	3,642,134
Total Restricted	<u>178,439</u>	<u>-</u>	<u>5,757,353</u>	<u>5,935,792</u>
<b>Committed</b>				
Adult education program	-	-	164,497	164,497
Deferred maintenance program	-	-	1,085,071	1,085,071
Total Committed	<u>-</u>	<u>-</u>	<u>1,249,568</u>	<u>1,249,568</u>
<b>Assigned</b>				
Postemployment benefits	3,250,935	-	-	3,250,935
Site gift/PTA carryover	504,616	-	-	504,616
Budget contingency	4,829,423	-	-	4,829,423
Capital projects	-	5,088,999	-	5,088,999
Other	1,799,376	-	-	1,799,376
Total Assigned	<u>10,384,350</u>	<u>5,088,999</u>	<u>-</u>	<u>15,473,349</u>
<b>Unassigned</b>				
Reserve for economic uncertainties	3,535,780	-	-	3,535,780
Total Unassigned	<u>3,535,780</u>	<u>-</u>	<u>-</u>	<u>3,535,780</u>
Total	<u>\$ 14,244,973</u>	<u>\$ 5,088,999</u>	<u>\$ 7,057,355</u>	<u>\$ 26,391,327</u>

# PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

#### Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Palos Verdes Peninsula Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 244 retirees and beneficiaries currently receiving benefits, 26 employees terminated as of June 30, 2013 and have yet to collect benefits, and 743 active Plan members.

#### Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the Palos Verdes Faculty Association (PVFA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2012-2013, the District contributed \$402,795 to the Plan, all of which was used for current premiums.

#### Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 1,192,101
Interest on net OPEB obligation	51,655
Adjustment to annual required contribution	<u>(74,680)</u>
Annual OPEB cost (expense)	1,169,076
Contributions made	<u>(402,795)</u>
Increase in net OPEB obligation	766,281
Net OPEB obligation, beginning of year	<u>1,291,368</u>
Net OPEB obligation, end of year	<u><u>\$ 2,057,649</u></u>

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**Trend Information**

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

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
2011	\$ 697,609	\$ 364,567	52%	\$ 978,496
2012	693,628	380,756	55%	1,291,368
2013	1,169,076	402,795	34%	2,057,649

**Funded Status and Funding Progress**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2012	\$ -	\$ 10,896,064	\$ 10,896,064	0%	\$ 63,105,214	17%

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, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

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

In the July 1, 2012, actuarial valuation, the unit credit cost method was used. Currently, the District does not set aside assets in an irrevocable employee benefit trust. The assumptions include a five percent discount rate based on employer assets that are not restricted for other purposes and are expected to be used to finance benefit payments. Healthcare cost trend rates reflected an ultimate rate of seven percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2013, was 25 years.

# **PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

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### **NOTE 12 - 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; and natural disasters. During the fiscal year ending June 30, 2013, the District participated in the Alliance of Schools for Cooperative Insurance Program (ASCIP) public entity risk pool for property and liability insurance coverage. There has not been a significant reduction in coverage from the prior year.

#### **Workers' Compensation**

For fiscal year 2013, the District participated in the Alliance of Schools for Cooperative Insurance Program (ASCIP) public entity risk pool. The intent of ASCIP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in ASCIP. The workers' compensation experience of the participating districts is calculated and applied to a common premium rate. Each participant pays its workers' compensation premium based on its individual rate.

#### **Employee Medical Benefits**

The District purchases medical, dental and vision insurance from commercial insurance companies. Dental and vision benefits are self-insured by the District and accounted for in a separate internal service fund for self-insurance.

### **NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS**

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

#### **CalSTRS**

##### **Plan Description**

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

# **PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

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### **Funding Policy**

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-2013 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2013, 2012, and 2011, were \$3,660,690, \$3,610,531, and \$3,662,866, respectively, and equal 100 percent of the required contributions for each year.

### **CalPERS**

#### **Plan Description**

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

#### **Funding Policy**

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-2013 was 11.417 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2013, 2012, and 2011, were \$2,130,220, \$1,967,417, and \$1,901,235, respectively, and equal 100 percent of the required contributions for each year.

#### **Social Security**

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security as its alternative plan. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to the pension plan.

# PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$2,297,841 (5.176 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

### NOTE 14 - COMMITMENTS AND CONTINGENCIES

#### Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2013.

#### Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2013.

#### Construction Commitments

As of June 30, 2013, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Plumbing Replacement Projects	\$ 390,282	08/31/13
Asphalt Replacement Projects	245,177	08/31/13
10 Classroom Buildings	219,078	09/30/13
	<u>\$ 854,537</u>	

# **PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

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### **NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS**

The District is a member of the Alliance of Schools for Cooperative Insurance Program (ASCIP) public entity risk pool and Southern California Regional Occupational Program Joint Powers Authority (JPA). The District pays an annual premium to ASCIP for its workers' compensation, and property liability coverage. Payments for the regional occupational services received are paid to the Southern California Regional Occupational Program. The relationships between the District, the pool, and the JPA are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2013, the District made payments of \$2,080,471 and \$407,411 to ASCIP and Southern California Regional Occupational Program, respectively, for services received.

### **NOTE 16 - SUBSEQUENT EVENTS**

The District received \$7,000,000 of Tax and Revenue Anticipation Notes on July 24, 2013. The notes mature on February 28, 2014, and yield 2.00 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning January 2014, until 100 percent of principal and interest due is on account in February 2014.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Budgeted Amounts</b>		<b>Actual (GAAP Basis)</b>	<b>Variances -</b>
	<b>Original</b>	<b>Final</b>		<b>Positive (Negative) Final to Actual</b>
<b>REVENUES</b>				
Revenue limit sources	\$ 56,095,858	\$ 60,904,946	\$ 61,065,924	\$ 160,978
Federal sources	2,337,128	3,188,787	3,331,057	142,270
Other State sources	14,289,132	13,976,340	16,211,793	2,235,453
Other local sources	14,393,922	15,549,569	15,996,803	447,234
<b>Total Revenues <sup>1</sup></b>	<b>87,116,040</b>	<b>93,619,642</b>	<b>96,605,577</b>	<b>2,985,935</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	43,632,777	46,176,786	45,606,746	570,040
Classified salaries	17,025,778	18,244,384	17,401,378	843,006
Employee benefits	15,211,209	15,200,866	16,994,065	(1,793,199)
Books and supplies	3,684,777	4,448,936	3,051,617	1,397,319
Services and operating expenditures	11,421,442	12,976,248	12,722,088	254,160
Capital outlay	240,560	174,494	454,508	(280,014)
Debt service - interest and other	-	-	53,724	(53,724)
Other outgo	775,781	919,728	988,971	(69,243)
<b>Total Expenditures <sup>1</sup></b>	<b>91,992,324</b>	<b>98,141,442</b>	<b>97,273,097</b>	<b>868,345</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(4,876,284)</b>	<b>(4,521,800)</b>	<b>(667,520)</b>	<b>3,854,280</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	347,310	681,472	309,607	(371,865)
Other sources	-	-	309,279	309,279
Transfers out	(782,385)	(1,324,555)	(1,324,555)	-
<b>Net Financing Sources (Uses)</b>	<b>(435,075)</b>	<b>(643,083)</b>	<b>(705,669)</b>	<b>(62,586)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(5,311,359)</b>	<b>(5,164,883)</b>	<b>(1,373,189)</b>	<b>3,791,694</b>
<b>Fund Balances - Beginning</b>	<b>15,618,162</b>	<b>15,618,162</b>	<b>15,618,162</b>	<b>-</b>
<b>Fund Balances - Ending</b>	<b>\$ 10,306,803</b>	<b>\$ 10,453,279</b>	<b>\$ 14,244,973</b>	<b>\$ 3,791,694</b>

<sup>1</sup> On behalf payments of \$2,297,841 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, as Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits have, for reporting purposes, been consolidated into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**FUNDING PROGRESS**

**FOR THE YEAR ENDED JUNE 30, 2013**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ([b - a] / c)</b>
July 1, 2007	\$ -	\$ 6,725,494	\$ 6,725,494	0%	\$ 49,002,632	14%
July 1, 2010	-	6,610,213	6,610,213	0%	64,215,594	10%
July 1, 2012	-	10,896,064	10,896,064	0%	63,105,214	17%

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***SUPPLEMENTARY INFORMATION***

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**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
Title I, Part A - Low Income and Neglected	84.010	14329	\$ 603,512
Title I, Part G-Advanced Placement Test Fee Reimbursement Program	84.330B	14831	1,995
Title II, Part A - Improving Teacher Quality	84.367	14341	237,525
Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.318	14334	130
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	64,168
Title V, Part A, Innovative Education Strategies	84.298A	14354	672
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048A	14894	38,574
Passed through Los Angeles County Office of Education (LACOE):			
Individuals with Disabilities Education Act			
Special Education Cluster (IDEA):			
Local Assistance Entitlement	84.027	13379	1,625,913
Preschool Local Entitlement	84.027A	13682	138,921
Preschool Grants, Part B, Section 619	84.173	13430	59,960
Preschool Staff Development, Part B, Section 619	84.173A	13431	489
Mental Health Allocation Plan, Part B, Section 611	84.027A	15197	559,198
Subtotal Special Education Cluster (IDEA)			<u>2,384,481</u>
Total U.S. Department of Education			<u>3,331,057</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE:			
Child Nutrition Cluster:			
Especially Needy Breakfast Program	10.553	13526	13,288
National School Lunch Program	10.555	13396	236,565
Commodities	10.555	13396	104,625
Total U.S. Department of Agriculture			<u>354,478</u>
Total Expenditures of Federal Awards			<u>\$ 3,685,535</u>

See accompanying note to supplementary information.

# PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2013

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### ORGANIZATION

The Palos Verdes Peninsula Unified School District was established in 1961 and consists of an area comprising approximately 24.4 square miles. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies for nine K-5 schools, one 1-5 school, two kindergarten schools, three 6-8 schools, two four-year high schools, one continuation high school and one adult education school, a special education early childhood education program, a fee-based preschool and a child care program. There were no boundary changes during the year.

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Anthony Collatos	President	2017
Erin G. LaMonte	Vice President	2015
Malcolm S. Sharp	Clerk	2017
Barbara Lucky	Member	2017
Larry Vanden Bos	Member	2015

### ADMINISTRATION

Walker Williams	Superintendent of Schools
Lydia Cano	Deputy Superintendent, Business Services
William Franchini	Director, Human Resources
Martin D. Griffin	Chief Academic Officer

See accompanying note to supplementary information.

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2013**

	Final Report	
	Second Period Report	Annual Report
<b>ELEMENTARY</b>		
Kindergarten	735	739
First through third	2,047	2,050
Fourth through sixth	2,498	2,499
Seventh and eighth	1,793	1,794
Home and hospital	-	1
Special education	140	138
Total Elementary	7,213	7,221
<b>SECONDARY</b>		
Regular classes	4,090	4,082
Continuation education	85	90
Home and hospital	3	4
Special education	107	104
Total Secondary	4,285	4,280
Total K-12	11,498	11,501

See accompanying note to supplementary information.

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2013**

Grade Level	1982-83	Reduced	1986-87	Reduced	2012-13	Number of Days		Status
	Actual	1982-83	Minutes	1986-87	Actual	Traditional	Multitrack	
	Minutes	Actual	Requirement	Requirement	Minutes	Calendar	Calendar	
Kindergarten	31,680	30,800	36,000	35,000	39,465	179	N/A	Complied
Grades 1 - 3	45,460	44,197	50,400	49,000				
Grade 1					50,285	179	N/A	Complied
Grade 2					50,285	179	N/A	Complied
Grade 3					53,745	179	N/A	Complied
Grades 4 - 8	51,536	50,104	54,000	52,500				
Grade 4					53,745	179	N/A	Complied
Grade 5					53,745	179	N/A	Complied
Grade 6					61,825	176	N/A	Complied
Grade 7					61,825	179	N/A	Complied
Grade 8					61,825	179	N/A	Complied
Grades 9 - 12	62,851	61,105	64,800	63,000				
Grade 9					71,278	179	N/A	Complied
Grade 10					71,278	179	N/A	Complied
Grade 11					71,278	179	N/A	Complied
Grade 12					71,278	179	N/A	Complied

See accompanying note to supplementary information.

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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

	<u>General Fund</u>
FUND BALANCE	
Balance, June 30, 2013, Unaudited Actuals	\$ 13,960,774
Increase in:	
Accounts receivable	<u>284,199</u>
Balance, June 30, 2013, Audited Financial Statement	<u><u>\$ 14,244,973</u></u>

See accompanying note to supplementary information.

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

	(Budget)			
	2014 <sup>1</sup>	2013	2012	2011
GENERAL FUND <sup>4</sup>				
Revenues	\$ 94,478,019	\$ 96,423,790	\$ 96,068,560	\$ 98,206,288
Other sources	1,218,475	681,472	792,840	1,512,070
Total Revenues and Other Sources	95,696,494	97,105,262	96,861,400	99,718,358
Expenditures	95,299,924	96,963,818	96,738,606	95,559,506
Other uses and transfers out	300,000	1,324,555	435,521	1,993,042
Total Expenditures and Other Uses	95,599,924	98,288,373	97,174,127	97,552,548
INCREASE (DECREASE) IN FUND BALANCE	\$ 96,570	\$ (1,183,111)	\$ (312,727)	\$ 2,165,810
ENDING FUND BALANCE	\$ 9,576,785	\$ 9,480,215	\$ 10,663,326	\$ 10,976,053
AVAILABLE RESERVES <sup>2</sup>	\$ 4,034,513	\$ 3,535,780	\$ 9,330,480	\$ 9,260,283
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>3</sup>	4.22%	3.68%	9.82%	9.68%
LONG-TERM OBLIGATIONS	N/A	\$ 98,283,988	\$ 94,665,328	\$ 94,055,090
K-12 AVERAGE DAILY ATTENDANCE AT P-2	11,499	11,498	11,526	11,574

The General Fund balance has decreased by \$1,495,838 over the past two years. The fiscal year 2013-2014 budget projects an increase of \$96,570 (1.02 percent). For a district this size, the State recommends available reserves of at least 3.0 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years but anticipates incurring an operating surplus during the 2013-2014 fiscal year. Total long-term obligations have increased by \$4,228,898 over the past two years.

Average daily attendance has decreased by 76 over the past two years. Growth of one ADA is anticipated during fiscal year 2013-2014.

<sup>1</sup> Budget 2014 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

<sup>3</sup> On behalf payments of \$2,297,841, \$2,186,707 and \$1,894,477 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2013, 2012, and 2011, respectively.

<sup>4</sup> General Fund amounts do not include activity related to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits, as required by GASB Statement No. 54.

See accompanying note to supplementary information.

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2013**

	<b>Adult Education Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 154,456	\$ 272,196	\$ 1,135,484
Receivables	17,596	74,578	1,081
Stores inventories	-	47,584	-
<b>Total Assets</b>	<b>\$ 172,052</b>	<b>\$ 394,358</b>	<b>\$ 1,136,565</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 7,555	\$ 98,981	\$ 51,494
Due to other funds	-	107,664	-
Deferred revenue	-	21,864	-
<b>Total Liabilities</b>	<b>7,555</b>	<b>228,509</b>	<b>51,494</b>
<b>Fund Balances:</b>			
Nonspendable	-	50,434	-
Restricted	-	115,415	-
Committed	164,497	-	1,085,071
<b>Total Fund Balances</b>	<b>164,497</b>	<b>165,849</b>	<b>1,085,071</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 172,052</b>	<b>\$ 394,358</b>	<b>\$ 1,136,565</b>

See accompanying note to supplementary information.

<b>Building Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 1,257,873	\$ 639,705	\$ 2,127,341	\$ 3,642,134	\$ 9,229,189
3,396	2,300	7,880	-	106,831
-	-	-	-	47,584
<u>\$ 1,261,269</u>	<u>\$ 642,005</u>	<u>\$ 2,135,221</u>	<u>\$ 3,642,134</u>	<u>\$ 9,383,604</u>
\$ 1,261,269	\$ -	\$ 777,422	\$ -	\$ 2,196,721
-	-	-	-	107,664
-	-	-	-	21,864
<u>1,261,269</u>	<u>-</u>	<u>777,422</u>	<u>-</u>	<u>2,326,249</u>
-	-	-	-	50,434
-	642,005	1,357,799	3,642,134	5,757,353
-	-	-	-	1,249,568
<u>-</u>	<u>642,005</u>	<u>1,357,799</u>	<u>3,642,134</u>	<u>7,057,355</u>
<u>\$ 1,261,269</u>	<u>\$ 642,005</u>	<u>\$ 2,135,221</u>	<u>\$ 3,642,134</u>	<u>\$ 9,383,604</u>

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Adult Education Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Building Fund</b>
<b>REVENUES</b>				
Federal sources	\$ -	\$ 354,478	\$ -	\$ -
Other State sources	45,278	9,487	417,941	-
Other local sources	145,165	2,159,509	3,431	112,563
<b>Total Revenues</b>	<u>190,443</u>	<u>2,523,474</u>	<u>421,372</u>	<u>112,563</u>
<b>EXPENDITURES</b>				
Current				
Instruction	108,960	-	-	-
Instruction-related activities:				
School site administration	96,127	-	-	-
Pupil services:				
Food services	-	2,507,108	-	-
Administration:				
All other administration	8,826	107,664	-	-
Plant services	-	-	-	-
Facility acquisition and construction	-	-	58,817	1,454,338
Debt service				
Principal	-	10,257	180,029	-
Interest and other	-	1,242	31,316	-
<b>Total Expenditures</b>	<u>213,913</u>	<u>2,626,271</u>	<u>270,162</u>	<u>1,454,338</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(23,470)</u>	<u>(102,797)</u>	<u>151,210</u>	<u>(1,341,775)</u>
<b>Other Financing Sources</b>				
Transfers in	-	-	300,000	-
<b>Net Financing Sources</b>	<u>-</u>	<u>-</u>	<u>300,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(23,470)</u>	<u>(102,797)</u>	<u>451,210</u>	<u>(1,341,775)</u>
<b>Fund Balances - Beginning</b>	187,967	268,646	633,861	1,341,775
<b>Fund Balances - Ending</b>	<u>\$ 164,497</u>	<u>\$ 165,849</u>	<u>\$ 1,085,071</u>	<u>\$ -</u>

See accompanying note to supplementary information.

<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 354,478
-	-	27,076	499,782
533,590	30,622	4,694,525	7,679,405
<u>533,590</u>	<u>30,622</u>	<u>4,721,601</u>	<u>8,533,665</u>
-	-	-	108,960
-	-	-	96,127
-	-	-	2,507,108
376	-	-	116,866
6,048	-	-	6,048
662,326	5,700,213	-	7,875,694
-	-	1,900,000	2,090,286
-	-	2,300,089	2,332,647
<u>668,750</u>	<u>5,700,213</u>	<u>4,200,089</u>	<u>15,133,736</u>
<u>(135,160)</u>	<u>(5,669,591)</u>	<u>521,512</u>	<u>(6,600,071)</u>
-	-	-	300,000
-	-	-	300,000
<u>(135,160)</u>	<u>(5,669,591)</u>	<u>521,512</u>	<u>(6,300,071)</u>
777,165	7,027,390	3,120,622	13,357,426
<u>\$ 642,005</u>	<u>\$ 1,357,799</u>	<u>\$ 3,642,134</u>	<u>\$ 7,057,355</u>

# **PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2013**

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### **NOTE 1 - PURPOSE OF SCHEDULES**

#### **Schedule of Expenditures of Federal Awards**

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

#### **Local Education Agency Organization Structure**

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

#### **Schedule of Average Daily Attendance (ADA)**

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

#### **Schedule of Instructional Time**

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

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by *Education Code* Section 46201.

#### **Reconciliation of Annual Financial and Budget Report With Audited Financial Statements**

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

#### **Schedule of Financial Trends and Analysis**

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

# **PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2013**

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

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

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***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***

Governing Board  
Palos Verdes Peninsula Unified School District  
Palos Verdes Estates, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Palos Verdes Peninsula Unified School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Palos Verdes Peninsula Unified School District's basic financial statements, and have issued our report thereon dated December 5, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Palos Verdes Peninsula 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 Palos Verdes Peninsula Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Palos Verdes Peninsula 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 Palos Verdes Peninsula Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Palos Verdes Peninsula Unified School District in a separate letter dated December 5, 2013.

## **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.

VADRENSK TIRINE, Day + Co, LLP

Rancho Cucamonga, California  
December 5, 2013



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

Governing Board  
Palos Verdes Peninsula Unified School District  
Palos Verdes Estates, California

**Report on Compliance for Each Major Federal Program**

We have audited Palos Verdes Peninsula 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 Palos Verdes Peninsula Unified School District's (the District) major Federal programs for the year ended June 30, 2013. Palos Verdes Peninsula Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Palos Verdes Peninsula 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 Palos Verdes Peninsula 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 Palos Verdes Peninsula Unified School District's compliance.

## Opinion on Each Major Federal Program

In our opinion, Palos Verdes Peninsula Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

Management of Palos Verdes Peninsula 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 Palos Verdes Peninsula 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 Palos Verdes Peninsula Unified School District's internal control over compliance.

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

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

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

VADIZENSK, TRINE, Day + Co., LLP

Rancho Cucamonga, California  
December 5, 2013



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board  
Palos Verdes Peninsula Unified School District  
Palos Verdes Estates, California

### Report on State Compliance

We have audited Palos Verdes Peninsula Unified School District's compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2012-2013* that could have a direct and material effect on each of the Palos Verdes Peninsula Unified School District's State government programs as noted below for the year ended June 30, 2013.

### Management's Responsibility

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

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Palos Verdes Peninsula Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-2013*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Palos Verdes Peninsula Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Palos Verdes Peninsula Unified School District's compliance with those requirements.

### Unmodified Opinion on Each of the Programs

In our opinion, Palos Verdes Peninsula Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2013.

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

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No, see below
Continuation Education	10	No, see below
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not applicable
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not applicable
Class Size Reduction Program (including in charter schools):		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	Not applicable
Districts or Charter Schools With Only One School Serving K-3	4	Not applicable
After School Education and Safety Program:		
General Requirements	4	Not applicable
After School	5	Not applicable
Before School	6	Not applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	Not applicable
Mode of Instruction	1	Not applicable
Non Classroom-Based Instruction/Independent Study	15	Not applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not applicable
Annual Instruction Minutes Classroom-Based	4	Not applicable

We did not perform testing for Independent Study and Continuation Education because the ADA for those programs were below the materiality thresholds as indicated in the *Students and Procedures for Audits of California K-12 Local Educational Agencies 2012-2013 Audit Guide*.

VADZINSK, TRINE, Day + Co. LLP

Rancho Cucamonga, California  
December 5, 2013

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A - Low Income and Neglected</u>
<u>84.027, 84.027A, 84.173,</u>	
<u>84.173A</u>	<u>Special Education Cluster (IDEA)</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

**STATE AWARDS**

Type of auditors' report issued on compliance for programs:	<u>Unmodified</u>
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**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013**

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None reported.

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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None reported.

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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None reported.

**PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013**

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



Governing Board  
Palos Verdes Peninsula Unified School District  
Palos Verdes Estates, California

In planning and performing our audit of the financial statements of Palos Verdes Peninsula Unified School District (the District) for the year ended June 30, 2013, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 5, 2013, on the financial statements of Palos Verdes Peninsula Unified School District.

### ***INTERNAL CONTROLS***

#### *Clearing Account*

##### **Observation**

The monies received from the sites do not consistently include the site or department originating receipts. Therefore, the District personnel responsible for reconciling revenue transactions have no way of knowing whether or not they have received all monies for all receipts for each site or department.

##### **Recommendation**

The District should strengthen controls over the use of receipts by issuing triplicate, pre-numbered receipt books to all sites and departments where cash and other monies are collected. This will allow for the monitoring of the numerical sequence of receipts forwarded from the sites and department to ensure there are no gaps in the receipts forwarded and no gaps between the last receipt in the previous deposit sent and the first receipt in the current deposit received.

#### *Parcel Tax*

##### **Observation**

The ballot text for Measure M states that, among other activities allowable, parcel tax collections must be used for the purpose of retaining qualified and experienced teachers and school employees. As a result of tests performed, the auditor noted three individuals, who are not teachers, have a portion of their salaries charged to this program.

In addition, the Governing Board has proposed allocations to the expenditure budget in which for 2012-2013 fiscal year, 90 percent of the budget must be allocated to retain qualified and experienced teachers and school employees, 5 percent must be used to fund advanced programs in math, science, and technology, and the remaining 5 percent must be used to keep classroom technology updated. However, after a review of expenditure detail, the auditor noted that 97 percent of parcel tax collections were actually allocated to the retention of qualified teachers and employees.

### **Recommendation**

As there exists a need for program oversight and administration as it relates to the Citizen's Oversight Committee for Measure M, it is recommended that the Governing Board annually approve an expenditure budget for Measure M that accounts for these activities. In addition, we recommend a more frequent review of actual expenditures to ensure the allocation methodology as approved by the Governing Board for Measure M expenditures is adhered to.

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

#### *Ridgecrest Intermediate School*

### **Observations**

During our review of associated student body procedures, the following issues were noted:

1. It appears that the site does not provide adequate controls over receipts. Receipts are not used to account for monies collected and therefore, there is no reconciliation between issued receipts and bank deposits.
2. The auditor noted the site had fundraisers held for charity, but could not verify that all the proceeds raised were given to the charity because a separate account was not established to account for the monies collected or the disbursement made to the charity.
3. All 13 disbursements reviewed did not have pre-approval.

### **Recommendations**

1. Pre-numbered receipts should be issued for all monies collected by teacher, advisors, and the site bookkeeper which would include a specific description of the source of the funds. A carbon copy of the receipts issued by the teachers and advisors should be forwarded with the cash to the bookkeeper as documentation that all monies collected have been turned in. The receipts issued to teachers and advisors from the bookkeeper should be totaled and reconciled to the current bank deposit.
2. The site should review the Fiscal Crisis and Management Assistance Team (FCMAT) ASB manual regarding donations for charities. One suggestion is to open a trust account within the ASB specifically for the donations, then write a check to the organization and close the account when the fundraiser is over.
3. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases. The site may consider using a purchase requisition form to obtain the three required signatures prior to the disbursement being made.

*Palos Verdes Intermediate School*

**Observation**

During the year-end audit of the ASB, the auditor noted that financial statements and bank reconciliations for the ASB were not being completed on a monthly basis.

**Recommendation**

Financial statements and bank reconciliation for the ASB must be prepared in a timely basis to help to insure the integrity of the financial information and to provide adequate oversight for financial position of the ABS. Accordingly, we recommend that financial statements and bank reconciliations be performed on a monthly basis.

*Palos Verdes High School*

**Observations**

During our review of ASB procedures, the following issues were noted:

1. Three receipts were not deposited in a timely manner. Bank deposits ranged from approximately 11 to 14 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. Pre-numbered cash receipts are not issued in a sequential order.
3. Thirteen out of 15 disbursements reviewed, did not have prior approval. A requisition form is used; however, it is used to request payment rather than serve as a pre-approval document.
4. Two of four disbursements reviewed did not have receiving documentation.
5. Revenue potential forms are not used for fundraising events.
6. A master ticket log is not being used by the site to account for all tickets on hand.
7. A perpetual inventory log for the student store is not maintained.
8. Stale-dated checks (six months or older from date of issuance) were noted on the March 2013 bank reconciliation as outstanding checks.

**Recommendations**

1. The ASB should adhere to the District's depositing policy which dictates that the ASBs should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit.
2. Pre-numbered cash receipts should be issued sequentially as it improves the sites ability to track and ensure that all cash received are deposited intact and in a timely manner.
3. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases. The site may consider using a purchase requisition form to obtain the three required signatures prior to the disbursement being made.
4. All expenditures should indicate whether the items purchases have been received. This can be noted with a stamp, signature, packing slip, etc. This reduces the risk of items being paid for but not received.

5. Revenue potential forms must be completed for each fundraiser. This includes the expected profit and loss section associated with the fundraisers. This will help identify any significant differences between anticipated profits and actual profits/losses and possible potential misappropriation of ASB funds. Analysis of actual profit/loss also allows the site to continue those fundraisers which generate profit and modify or eliminate those which generate losses.
6. A master ticket log should be maintained, which notes the type of ticket, color, and beginning and ending ticket number in the roll. The site should log all ticket roll inventory, even if the rolls are not in use. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the ending ticket number should be recorded in the master ticket log and the form should be reconciled to the log. An explanation of any overages/shortages must be documented on the form. The site administrator should ensure that these forms are completed and turned into the bookkeeper at the conclusion of the event.
7. To prevent the loss or the misappropriation of assets, the site should reconcile the physical inventory count to a perpetual inventory of items available for sale. A perpetual inventory tracks beginning inventory, purchases, and other additions to inventory and total number of items sold based on daily sales and receipts. The site should also establish a procedure to investigate any significant differences noted between the actual physical inventory counts and the perpetual inventory count. This information is necessary to analyze sales activity and applicable profit or loss and to determine if merchandise has been lost or stolen.
8. Outstanding checks over six months old should be credited back to the appropriate account and taken off the subsequent bank reconciliation's. Although the chances are low, the check may clear on a subsequent bank statement. In this case, the amount should be charged against the appropriate account and described as "outstanding check written off-cleared".

*Palos Verdes Peninsula High School*

**Observations**

During our review of associated student body procedures, the following issues were noted:

1. Currently, daily sales reports are prepared for the student store; however, the reports do not indicate the items or quantity sold. Therefore, no reconciliation is performed between the cash collected and the items sold.
2. One of 13 disbursements reviewed did not have prior approval.

**Recommendations**

1. The student store can issue physical receipts for items purchased or generate a tally sheet of all items sold at the student store to tally total sales of items as they are being sold. A daily sales recap should then be prepared where the items sold are reconciled to the cash collected to determine if all the items sold and cash collected are accounted for on a daily basis.
2. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.

Governing Board  
Palos Verdes Peninsula Unified School District

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

VADZANSK, TIZNE, Day + Co. CP

Rancho Cucamonga, California  
December 5, 2013