



**PALOS VERDES PENINSULA UNIFIED
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

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PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S 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, 2015, 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 the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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.

Opinions

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, 2015, 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.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and in Note 17 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 12 and budgetary comparison, other postemployment benefit (OPEB) funding progress, District's proportionate share of the net pension liability, and District contribution information on pages 67 and 70, 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 combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by (Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2015, 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.

VAORZINERIZING Day + CUP

Rancho Cucamonga, California
December 2, 2015



Palos Verdes Peninsula Unified School District

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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, 2015. 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 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 Funds* 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.

Department Extensions and FAX Numbers

Superintendent, x 404
(310) 378-0732 (FAX)

Business Services, x 414
(310) 375-4140 (FAX)

Educational Services, x 188
(310) 791-2919 (FAX)

Human Resources, x 617
(310) 791-2948 (FAX)

Pupil Services, x 551
(310) 378-1971 (FAX)

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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, 2015

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 *Statement 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 negotiated a salary increase of 4.5 percent and a six percent increase to the District's annual contribution for medical benefits for certificated, classified, management and confidential employees.
2. The District maintained manageable class sizes within contractual obligations.
3. The Peninsula Education Foundation increased its pledge to the District to a total of \$3,374,200.
4. Filed Notice of Completion for the 10 classroom building project at Palos Verdes High School.
5. Filed Notice of Completion for the six classroom building and weight room project at Palos Verdes Peninsula High School.
6. Filed Notice of Completion for the roofing projects at Miraleste and Vista Grande Elementary Schools and Miraleste Intermediate School.

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$(2,384,468) for the fiscal year ended June 30, 2015. Of this amount, \$(103,024,299) 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	
	2015	2014, as Restated	2015	2014	2015	2014 as restated
Current and other assets	\$ 32,137,679	\$ 38,550,988	\$ 3,817,802	\$ 3,735,088	\$ 35,955,481	\$ 42,286,076
Capital assets	166,164,221	167,975,324	131,130	157,330	166,295,351	168,132,654
Total Assets	198,301,900	206,526,312	3,948,932	3,892,418	202,250,832	210,418,730
Deferred Outflows of Resources	8,645,611	7,992,774	-	-	8,645,611	7,992,774
Current liabilities	10,693,102	13,267,505	792,485	738,083	11,485,587	14,005,588
Long-term obligations	100,066,503	100,399,080	-	-	100,066,503	100,399,080
Aggregate net pension liability	79,252,827	101,104,595	-	-	79,252,827	101,104,595
Total Liabilities	190,012,432	214,771,180	792,485	738,083	190,804,917	215,509,263
Deferred Inflows of Resources	22,475,994	-	-	-	22,475,994	-
Net Position						
Net investment in capital assets	91,334,495	90,365,546	131,130	157,330	91,465,625	90,522,876
Restricted	6,148,889	6,652,746	3,025,317	2,997,005	9,174,206	9,649,751
Unrestricted	(103,024,299)	(97,270,386)	-	-	(103,024,299)	(97,270,386)
Total Net Position	\$ (5,540,915)	\$ (252,094)	\$ 3,156,447	\$ 3,154,335	\$ (2,384,468)	\$ 2,902,241

The \$(103,024,299) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations.

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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 15. 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	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 84,495	\$ 28,887	\$ 5,734,579	\$ 5,794,569	\$ 5,819,074	\$ 5,823,456
Operating grants and contributions	10,470,954	13,065,670	-	-	10,470,954	13,065,670
Capital grants and contributions	-	5,126	-	-	-	5,126
General revenues:						
Federal and State aid not restricted	38,251,843	24,578,133	-	-	38,251,843	24,578,133
Property taxes	54,283,050	50,736,372	-	-	54,283,050	50,736,372
Other general revenues	12,460,740	21,767,728	25,168	24,005	12,485,908	21,791,733
Total Revenues	115,551,082	110,181,916	5,759,747	5,818,574	121,310,829	116,000,490
Expenses						
Instruction-related	84,093,901	77,904,243	-	-	84,093,901	77,904,243
Pupil services	9,328,268	8,812,242	4,887,592	4,957,932	14,215,860	13,770,174
Administration	8,452,990	7,962,901	-	-	8,452,990	7,962,901
Plant services	11,227,355	9,555,139	-	-	11,227,355	9,555,139
Other	8,607,432	8,302,857	-	-	8,607,432	8,302,857
Total Expenses	121,709,946	112,537,382	4,887,592	4,957,932	126,597,538	117,495,314
Transfers	870,043	870,043	(870,043)	(870,043)	-	-
Change in Net Position	\$ (5,288,821)	\$ (1,485,423)	\$ 2,112	\$ (9,401)	\$ (5,286,709)	\$ (1,494,824)

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$121,709,946. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$54,283,050 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 (\$10,555,449). We paid for the remaining 'public benefit' portion of our governmental activities with \$50,712,583 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, 2015

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, administration, plant services, 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	
	2015	2014	2015	2014
Instruction	\$ 75,321,712	\$ 70,305,195	\$ 66,273,747	\$ 58,871,703
Instruction-related activities	8,772,189	7,599,048	8,425,430	7,240,763
Home-to-school transportation	1,007,690	863,878	1,007,690	863,878
Other pupil services	8,320,578	7,948,364	7,435,185	7,020,829
Administration	8,452,990	7,962,901	8,380,901	7,646,890
Plant services	11,227,355	9,555,139	11,216,683	9,530,790
Ancillary services	2,011,248	2,156,717	1,948,796	2,116,806
Interest on long-term obligations	4,281,297	4,041,554	4,281,297	4,041,554
Other	2,314,887	2,104,586	2,184,768	2,104,486
Total	\$ 121,709,946	\$ 112,537,382	\$ 111,154,497	\$ 99,437,699

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$21,916,830, which is a decrease of \$3,940,993 from last year.

Table 4

	Fund Balance			
	July 1, 2014	Revenues	Expenditures	June 30, 2015
General Fund	\$ 15,638,849	\$ 105,768,110	\$ 108,583,944	\$ 12,823,015
Bond Interest and Redemption Fund	4,118,485	4,919,311	4,763,211	4,274,585
Adult Education Fund	186,608	227,884	209,675	204,817
Cafeteria Fund	119,909	2,373,365	2,446,419	46,855
Deferred Maintenance Fund	1,019,987	716,900	473,011	1,263,876
Building Fund	223	-	223	-
Capital Facilities Fund	1,087,105	800,947	146,653	1,741,399
Special Reserve Fund For Capital Outlay Projects	3,686,657	234,610	2,358,984	1,562,283
Total	\$ 25,857,823	\$ 115,041,127	\$ 118,982,120	\$ 21,916,830

This decrease results primarily from negotiated salary and benefit increases.

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

General Fund Budgetary Highlights

The Adopted Budget was presented to the Board on June 26, 2014. Budget revisions were brought forth throughout the year, with the last revision done in June 2015.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had \$166,295,351 in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deductions and depreciation) of \$1,837,303, or 1.1 percent, from last year (Table 5).

Table 5

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land and construction in process	\$ 9,560,203	\$ 12,039,487	\$ -	\$ -	\$ 9,560,203	\$ 12,039,487
Buildings and improvements	155,219,899	154,339,532	131,130	157,330	155,351,029	154,496,862
Furniture and equipment	1,384,119	1,596,305	-	-	1,384,119	1,596,305
Total	\$ 166,164,221	\$ 167,975,324	\$ 131,130	\$ 157,330	\$ 166,295,351	\$ 168,132,654

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 \$100,066,503 in obligations versus \$100,399,080 million last year, a decrease of less than one percent. These obligations consisted of:

Table 6

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
General obligation bonds - net (Financed with property taxes)	\$ 92,766,734	\$ 93,445,638	\$ -	\$ -	\$ 92,766,734	\$ 93,445,638
Capitalized lease obligations	313,755	527,756	-	-	313,755	527,756
Compensated absences	1,693,094	1,426,467	-	-	1,693,094	1,426,467
Supplemental early retirement plan (SERP)	1,649,187	2,198,916	-	-	1,649,187	2,198,916
Other postemployment benefits (OPEB)	3,643,733	2,800,303	-	-	3,643,733	2,800,303
Total	\$ 100,066,503	\$ 100,399,080	\$ -	\$ -	\$ 100,066,503	\$ 100,399,080

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

Net Pension Liability (NPL)

At year end, the District had a net pension liability of \$79,252,827 as a result of the implementation of GASB Statement No. 68 during the current fiscal year.

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 at 310-378-9966, at the Palos Verdes Peninsula Unified School District, Palos Verdes Estates, California.

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION, Continued
JUNE 30, 2015

	Governmental	Business-Type	Total
	Activities	Activities	
ASSETS			
Deposits and investments	\$ 28,916,976	\$ 3,767,853	\$ 32,684,829
Receivables	3,111,776	40,751	3,152,527
Prepaid expenses	40,353	9,198	49,551
Stores inventories	68,574	-	68,574
Capital assets			
Land and construction in process	9,560,203	-	9,560,203
Other capital assets	221,465,832	753,500	222,219,332
Less: Accumulated depreciation	(64,861,814)	(622,370)	(65,484,184)
Total Capital Assets	<u>166,164,221</u>	<u>131,130</u>	<u>166,295,351</u>
Total Assets	<u>198,301,900</u>	<u>3,948,932</u>	<u>202,250,832</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	1,821,913	-	1,821,913
Current year pension contribution	6,823,698	-	6,823,698
Total Deferred Outflows of Resources	<u>8,645,611</u>	<u>-</u>	<u>8,645,611</u>
LIABILITIES			
Accounts payable	10,136,332	426,882	10,563,214
Accrued interest payable	472,253	-	472,253
Unearned revenue	84,517	365,603	450,120
Long-term obligations			
Current portion of long-term obligations other than pensions	3,702,859	-	3,702,859
Noncurrent portion of long-term obligations other than pensions	96,363,644	-	96,363,644
Total Long-Term Obligations	<u>100,066,503</u>	<u>-</u>	<u>100,066,503</u>
Aggregate net pension liability	79,252,827	-	79,252,827
Total Liabilities	<u>190,012,432</u>	<u>792,485</u>	<u>190,804,917</u>
DEFERRED INFLOWS OF RESOURCES			
Net change in proportionate share of net pension liability	945,173	-	945,173
Difference between projected and actual earnings on pension plan investments	21,530,821	-	21,530,821
Total Deferred Inflows of Resources	<u>22,475,994</u>	<u>-</u>	<u>22,475,994</u>

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

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION, Continued JUNE 30, 2015

NET POSITION

Net investment in capital assets	\$ 91,334,495	\$ 131,130	\$ 91,465,625
Restricted for:			
Debt service	3,802,332	-	3,802,332
Capital projects	1,741,399	-	1,741,399
Educational programs	604,110	-	604,110
Other activities	1,048	3,025,317	3,026,365
Unrestricted	(103,024,299)	-	(103,024,299)
Total Net Position	<u>\$ (5,540,915)</u>	<u>\$ 3,156,447</u>	<u>\$ (2,384,468)</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, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities			
Instruction	\$ 75,321,712	\$ 23,132	\$ 9,024,833
Instruction-related activities:			
Supervision of instruction	1,924,941	-	147,653
Instructional library, media, and technology	455,030	-	7,919
School site administration	6,392,218	-	191,187
Pupil services:			
Home-to-school transportation	1,007,690	-	-
Food services	2,484,570	-	271,685
All other pupil services	5,836,008	-	613,708
Administration:			
Data processing	1,200,284	-	7,969
All other administration	7,252,706	-	64,120
Plant services	11,227,355	26	10,646
Ancillary services	2,011,248	26,167	36,285
Community services	90,680	-	-
Enterprise services	169,997	-	-
Interest on long-term obligations	4,281,297	-	-
Other outgo	2,054,210	35,170	94,949
Total Governmental Activities	121,709,946	84,495	10,470,954
Business-Type Activities			
Child Care	4,887,592	5,734,579	-
Total School District	\$ 126,597,538	\$ 5,819,074	\$ 10,470,954

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, as restated
Net Position - Ending

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

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

Governmental Activities	Business- Type Activities	Total
\$ (66,273,747)	\$ -	\$ (66,273,747)
(1,777,288)	-	(1,777,288)
(447,111)	-	(447,111)
(6,201,031)	-	(6,201,031)
(1,007,690)	-	(1,007,690)
(2,212,885)	-	(2,212,885)
(5,222,300)	-	(5,222,300)
(1,192,315)	-	(1,192,315)
(7,188,586)	-	(7,188,586)
(11,216,683)	-	(11,216,683)
(1,948,796)	-	(1,948,796)
(90,680)	-	(90,680)
(169,997)	-	(169,997)
(4,281,297)	-	(4,281,297)
(1,924,091)	-	(1,924,091)
(111,154,497)	-	(111,154,497)
-	846,987	846,987
(111,154,497)	846,987	(110,307,510)
41,525,211	-	41,525,211
4,880,122	-	4,880,122
7,877,717	-	7,877,717
38,251,843	-	38,251,843
457,983	25,168	483,151
870,043	(870,043)	-
12,002,757	-	12,002,757
105,865,676	(844,875)	105,020,801
(5,288,821)	2,112	(5,286,709)
(252,094)	3,154,335	2,902,241
\$ (5,540,915)	\$ 3,156,447	\$ (2,384,468)

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015**

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 19,617,996	\$ 4,274,585	\$ 5,024,395	\$ 28,916,976
Receivables	3,101,586	-	10,190	3,111,776
Prepaid expenditures	39,353	-	1,000	40,353
Stores inventories	25,602	-	42,972	68,574
Total Assets	\$ 22,784,537	\$ 4,274,585	\$ 5,078,557	\$ 32,137,679
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 9,877,005	\$ -	259,327	\$ 10,136,332
Unearned revenue	84,517	-	-	84,517
Total Liabilities	9,961,522	-	259,327	10,220,849
Fund Balances:				
Nonspendable	74,955	-	46,807	121,762
Restricted	604,110	4,274,585	1,742,447	6,621,142
Committed	-	-	1,467,693	1,467,693
Assigned	8,962,713	-	1,562,283	10,524,996
Unassigned	3,181,237	-	-	3,181,237
Total Fund Balances	12,823,015	4,274,585	4,819,230	21,916,830
Total Liabilities and Fund Balances	\$ 22,784,537	\$ 4,274,585	\$ 5,078,557	\$ 32,137,679

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, 2015**

Total Fund Balance - Governmental Funds	\$ 21,916,830
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is:	\$ 231,026,035
Accumulated depreciation is:	<u>(64,861,814)</u>
Net Capital Assets	166,164,221
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, 2015.	1,821,913
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.	6,823,698
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.	(472,253)
The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected remaining service life of members receiving pension benefits.	(945,173)
The difference between projected and actual earnings on pension plan investment are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.	(21,530,821)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	(79,252,827)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term obligations at year-end consist of:	
General obligation bonds	72,958,647
Unamortized premium on general obligation bonds	3,417,162
Unamortized discount on general obligation bonds	(37,925)
Capital lease obligations	313,755
Compensated absences	1,693,094
Supplemental early retirement plan	1,649,187
Other postemployment benefits (OPEB)	3,643,733
In addition, the District has issued "capital appreciation" general obligation bonds. The accretion of interest on the general obligation bonds to date is:	<u>16,428,850</u>
Total Long-Term Obligations	(100,066,503)
Total Net Position - Governmental Activities	<u><u>\$ (5,540,915)</u></u>

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, 2015**

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula	\$ 76,554,746	\$ -	\$ 457,299	\$ 77,012,045
Federal sources	2,402,958	-	400,540	2,803,498
Other State sources	10,430,052	25,233	10,253	10,465,538
Other local sources	15,510,311	4,894,078	3,185,614	23,590,003
Total Revenues	104,898,067	4,919,311	4,053,706	113,871,084
EXPENDITURES				
Current				
Instruction	73,334,130	-	106,238	73,440,368
Instruction-related activities:				
Supervision of instruction	1,889,176	-	-	1,889,176
Instructional library, media and technology	439,267	-	-	439,267
School site administration	6,110,564	-	97,330	6,207,894
Pupil services:				
Home-to-school transportation	1,007,690	-	-	1,007,690
Food services	-	-	2,433,612	2,433,612
All other pupil services	5,695,097	-	-	5,695,097
Administration:				
Data processing	1,149,799	-	-	1,149,799
All other administration	4,604,902	-	6,193	4,611,095
Plant services	10,881,056	-	125,620	11,006,676
Facility acquisition and construction	132,228	-	2,738,971	2,871,199
Ancillary services	1,980,396	-	-	1,980,396
Community services	88,472	-	-	88,472
Other outgo	828,571	-	-	828,571
Debt service				
Principal	87,000	2,750,000	127,001	2,964,001
Interest and other	55,596	2,013,211	-	2,068,807
Total Expenditures	108,283,944	4,763,211	5,634,965	118,682,120
Excess (Deficiency) of				
Revenues Over Expenditures	(3,385,877)	156,100	(1,581,259)	(4,811,036)
Other Financing Sources (Uses)				
Transfers in	870,043	-	300,000	1,170,043
Transfers out	(300,000)	-	-	(300,000)
Net Financing Sources (Uses)	570,043	-	300,000	870,043
NET CHANGE IN FUND BALANCES	(2,815,834)	156,100	(1,281,259)	(3,940,993)
Fund Balances - Beginning	15,638,849	4,118,485	6,100,489	25,857,823
Fund Balances - Ending	\$ 12,823,015	\$ 4,274,585	\$ 4,819,230	\$ 21,916,830

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, 2015

Total Net Change in Fund Balances - Governmental Funds	\$ (3,940,993)
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 exceeds depreciation in the period.	
Depreciation expense	\$ (4,803,991)
Capital outlays	<u>2,992,888</u>
Net Expense Adjustment	(1,811,103)
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.	(843,430)
In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (supplemental early retirement plan) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits paid was \$549,729. Vacation used was less than the amounts earned by \$266,627.	283,102
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.	327,688
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	2,750,000
Capital lease obligations	214,001

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, 2015

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	\$ 118,988	
Amortization of debt discount	(3,637)	
Amortization of deferred charge on refunding	<u>(299,077)</u>	
Combined Adjustment		(183,726)

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 \$102,087, and second, \$2,186,447 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

		(2,084,360)
Change in Net Position of Governmental Activities		<u><u>\$ (5,288,821)</u></u>

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, 2015

	Business-Type Activities Enterprise Funds Child Care
ASSETS	
Current Assets	
Deposits and investments	\$ 3,767,853
Receivables	40,751
Prepaid expenses	9,198
Total Current Assets	<u>3,817,802</u>
Noncurrent Assets	
Capital assets	753,500
Less: accumulated depreciation	(622,370)
Total Noncurrent Assets	<u>131,130</u>
Total Assets	<u>3,948,932</u>
LIABILITIES	
Current Liabilities	
Accounts payable	426,882
Unearned revenue	365,603
Total Current Liabilities	<u>792,485</u>
NET POSITION	
Net investment in capital assets	131,130
Restricted	3,025,317
Total Net Position	<u>\$ 3,156,447</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, 2015**

	Business-Type Activities Enterprise Funds Child Care
OPERATING REVENUES	
Charges for services	\$ 5,590,207
Charges to other funds and miscellaneous revenues	144,372
Total Operating Revenues	5,734,579
OPERATING EXPENSES	
Payroll costs	4,272,336
Supplies and materials	293,719
Facility rental	124,626
Other operating cost	170,711
Depreciation	26,200
Total Operating Expenses	4,887,592
Operating Income	846,987
NONOPERATING REVENUES	
Interest income	25,168
Transfers out	(870,043)
Total Nonoperating Revenues (Expenses)	(844,875)
Change in Net Position	2,112
Total Net Position - Beginning	3,154,335
Total Net Position - Ending	\$ 3,156,447

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, 2015**

	Business-Type Activities Enterprise Funds Child Care
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 5,607,519
Other operating cash receipts	144,372
Cash payments to employees for services	(4,272,336)
Cash payments to other suppliers of goods or services	(399,246)
Other operating cash payments	(170,711)
Net Cash Provided by Operating Activities	<u>909,598</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers out	<u>(870,043)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>25,168</u>
Net Increase in Cash and Cash Equivalents	64,723
Cash and Cash Equivalents - Beginning	3,703,130
Cash and Cash Equivalents - Ending	<u>\$ 3,767,853</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 846,987
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	26,200
Changes in assets and liabilities:	
Receivables	(8,793)
Prepaid expense	(9,198)
Accounts payable	28,297
Unearned revenue	26,105
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 909,598</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, 2015**

	Agency Funds
ASSETS	
Deposits and investments	\$ 2,166,676
Amounts due from employees	542,859
Stores inventories	47,587
Total Assets	\$ 2,757,122
LIABILITIES	
Accounts payable	4,717
Due to student groups	2,752,405
Total Liabilities	\$ 2,757,122

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

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 ten K-5 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 fund balance, and a decrease in revenues of \$3,489,949, and \$(647,837), respectively.

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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).

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).

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).

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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.

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.

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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.

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.

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Unearned Revenue Unearned revenue arises when potential revenue does not meet both the 'measurable' and 'available' criteria for recognition in the current period or when 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 unearned revenue is removed from the balance sheet and revenue is recognized.

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

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

Investments

Investments held at June 30, 2015, 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.

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.

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

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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.

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.

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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.

Debt Issuance Costs, Premiums and Discounts

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the unamortized loss on the refunding of general obligation bonds and current year pension contributions.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between actual and expected rate of return on investments specific to the net pension liability and for the unamortized amount on the net change in the proportionate share of the net pension liability.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

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Fund Balances - Governmental Funds

As of June 30, 2015, 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.

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.

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

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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, 2015. 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 \$9,174,206 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.

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.

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

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JUNE 30, 2015

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.

Change in Accounting Principles

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

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

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

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

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

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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.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

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

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

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

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

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

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by \$95,232,811. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

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The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.
- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

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The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB 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 all postemployment benefits (pensions and OPEB) 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 Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to 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 defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

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NOTES TO FINANCIAL STATEMENTS

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In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The 'GAAP hierarchy' consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 28,916,976
Business-type activities	3,767,853
Fiduciary funds	2,166,676
Total Deposits and Investments	<u><u>\$ 34,851,505</u></u>

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

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JUNE 30, 2015

Deposits and investments as of June 30, 2015, consisted of the following:

Cash on hand and in banks	\$ 2,963,025
Cash in revolving	12,835
Investments	<u>31,875,645</u>
Total Deposits and Investments	<u><u>\$ 34,851,505</u></u>

Policies and Practices

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

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, 2015

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the 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. The District maintains an investment of \$31,875,645 with the Los Angeles County Investment Pool with a fair market value of approximately \$31,842,406. The investment has an average weighted maturity of 595 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. 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, 2015.

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015, the District's bank balance of \$524,092 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, 2015, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total Governmental Activities	Child Care Enterprise Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Federal Government				
Categorical aid	\$ 749,184	\$ 3,054	\$ 752,238	\$ -
State Government				
Categorical aid	-	121	121	-
Lottery	1,031,308	-	1,031,308	-
Special Education	784,204	-	784,204	-
Local Government				
Interest	45,363	3,703	49,066	6,904
Other Local Sources	491,527	3,312	494,839	33,847
Total	<u>\$ 3,101,586</u>	<u>\$ 10,190</u>	<u>\$ 3,111,776</u>	<u>\$ 40,751</u>

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 9,460,558	\$ -	\$ -	\$ 9,460,558
Construction in process	2,578,929	2,708,199	5,187,483	99,645
Total Capital Assets Not Being Depreciated	<u>12,039,487</u>	<u>2,708,199</u>	<u>5,187,483</u>	<u>9,560,203</u>
Capital Assets Being Depreciated				
Land improvements	13,838,989	8,572	-	13,847,561
Buildings and improvements	196,740,024	5,360,528	-	202,100,552
Furniture and equipment	5,421,034	103,072	6,387	5,517,719
Total Capital Assets Being Depreciated	<u>216,000,047</u>	<u>5,472,172</u>	<u>6,387</u>	<u>221,465,832</u>
Less Accumulated Depreciation				
Land improvements	4,218,377	602,739	-	4,821,116
Buildings and improvements	52,021,104	3,885,994	-	55,907,098
Furniture and equipment	3,824,729	315,258	6,387	4,133,600
Total Accumulated Depreciation	<u>60,064,210</u>	<u>4,803,991</u>	<u>6,387</u>	<u>64,861,814</u>
Governmental Activities Capital Assets, Net	<u>\$ 167,975,324</u>	<u>\$ 3,376,380</u>	<u>\$ 5,187,483</u>	<u>\$ 166,164,221</u>
Business-Type Activities				
Capital Assets Being Depreciated				
Buildings and improvements	\$ 753,500	\$ -	\$ -	\$ 753,500
Less Accumulated Depreciation				
Buildings and improvements	596,170	26,200	-	622,370
Business-Type Activities Capital Assets, Net	<u>\$ 157,330</u>	<u>\$ (26,200)</u>	<u>\$ -</u>	<u>\$ 131,130</u>

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

Governmental Activities		
Instruction		\$ 2,209,836
All other general administration		2,546,115
Plant services		48,040
Total Depreciation Expenses Governmental Activities		<u>4,803,991</u>
Business-Type Activities		
Child Care		26,200
Total Depreciation Expenses All Activities		<u>\$ 4,830,191</u>

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 - INTERFUND TRANSACTIONS

Operating Transfers

Interfund transfers for the year ended June 30, 2015, consisted of the following:

Transfer To	Transfer From		
	General Fund	Child Care Enterprise Fund	Total
General Fund	\$ -	\$ 870,043	\$ 870,043
Non-Major Governmental Funds	300,000	-	300,000
Total	\$ 300,000	\$ 870,043	\$ 1,170,043

The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund an operating contribution for deferred maintenance projects. \$ 300,000

The Child Care Enterprise Fund transferred to the General Fund a reimbursement of expenditures and operating costs. 870,043
\$ 1,170,043

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2015, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities	Child Care Enterprise Fund	Fiduciary Funds
LCFF apportionment	\$ 991,301	\$ -	\$ 991,301	\$ -	\$ -
Salaries and benefits	6,767,251	96,588	6,863,839	386,975	-
Supplies	-	38,075	38,075	-	-
Construction	-	91,688	91,688	-	-
Other vendor payables	2,118,453	32,976	2,151,429	39,907	4,717
Total	\$ 9,877,005	\$ 259,327	\$ 10,136,332	\$ 426,882	\$ 4,717

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2015, consisted of the following:

	General Fund	Child Care Enterprise Fund
Federal financial assistance	\$ 53,366	\$ -
Other local	31,151	365,603
Total	<u>\$ 84,517</u>	<u>\$ 365,603</u>

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

The District issued \$5,000,000 of Tax and Revenue Anticipation Notes dated September 16, 2014, through the California School Cash Reserve Program Authority. The notes matured in June 2015, and bore interest at 1.50 percent. The notes were sold to supplement cash flow. Repayment requirements were that a 100 percent of principal and interest be deposited with the Fiscal Agent on account by May 2015. As of June 30, 2015, the notes had been paid in full.

Issue Date	Rate	Maturity Date	Outstanding July 1, 2014	Additions	Payments	Outstanding June 30, 2015
September 16, 2014	1.50%	6/1/2015	\$ -	\$ 5,000,000	\$ 5,000,000	\$ -

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
General obligation bonds	\$ 89,951,050	\$ 2,186,447	\$ 2,750,000	\$ 89,387,497	\$ 2,960,000
Premium on issuance	3,536,150	-	118,988	3,417,162	-
Discount on issuance	(41,562)	-	(3,637)	(37,925)	-
Capital leases	527,756	-	214,001	313,755	193,130
Accumulated vacation - net	1,426,467	266,627	-	1,693,094	-
Supplemental early retirement plan (SERP)	2,198,916	-	549,729	1,649,187	549,729
Other postemployment benefits (OPEB)	2,800,303	1,249,800	406,370	3,643,733	-
Total	<u>\$ 100,399,080</u>	<u>\$ 3,702,874</u>	<u>\$ 4,035,451</u>	<u>\$ 100,066,503</u>	<u>\$ 3,702,859</u>

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 and the Cafeteria 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.

General Obligations Bonds

The outstanding general obligation bonded debt is as follows:

	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds	
					Outstanding July 1, 2014	Issued	Accreted	Redeemed	Outstanding June 30, 2015
2000, Series B	3/14/02	11/1/26	3.00-7.72%	\$ 15,020,098	\$ 3,507,748	\$ -	\$ 276,024	\$ -	\$ 3,783,772
2000, Series C	3/7/03	11/1/27	2.00-5.42%	10,427,362	14,192,366	-	738,771	615,000	14,316,137
2005, Refunding	1/20/05	11/1/25	2.50-4.38%	20,400,000	10,160,000	-	-	835,000	9,325,000
2006, Refunding	3/9/06	11/1/23	3.50-5.00%	11,865,000	8,770,000	-	-	655,000	8,115,000
2005 (Measure R), Series 2006	3/9/06	3/1/31	3.50-5.00%	23,004,233	14,829,092	-	620,514	330,000	15,119,606
2005 (Measure S), Series 2006	3/9/06	3/1/31	3.50-7.65%	2,003,988	867,101	-	18,609	30,000	855,710
2005 (Measure R), Series 2009	10/6/09	8/1/34	5.68-6.18%	6,994,337	8,954,743	-	532,529	-	9,487,272
2005 (Measure S), Series 2009	10/6/09	8/1/34	2.00-5.00%	7,995,000	7,805,000	-	-	-	7,805,000
2014, Refunding, Series A	2/12/14	9/1/27	0.15-3.17%	13,010,000	13,010,000	-	-	65,000	12,945,000
2014, Refunding, Series B	2/12/14	9/1/21	0.35-2.972%	7,855,000	7,855,000	-	-	220,000	7,635,000
					<u>\$ 89,951,050</u>	<u>\$ -</u>	<u>\$ 2,186,447</u>	<u>\$ 2,750,000</u>	<u>\$ 89,387,497</u>

2000 General Obligation Bonds, Series B

On March 14, 2002, the District issued the 2000 General Obligation Bonds, Series B current and capital appreciation 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 rates ranging 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, 2015, 2000 General Obligation Bonds, Series B, totaling \$3,783,772 were still outstanding.

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

2000 General Obligation Bonds, Series C

On March 7, 2003, the District issued the 2000 General Obligation Bonds, Series C current and capital appreciation 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 rates ranging from 2.00 to 5.42 percent. At June, 30, 2015, 2000 General Obligation Bonds, Series C, totaling \$14,316,137 were still outstanding.

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 rates ranging from 2.50 to 4.38 percent.

On February 12, 2014, the District issued the 2014 General Obligation Refunding Bonds, Series B, in the amount of \$7,855,000 to advance refund \$7,235,000 of the 2005 General Obligation Refunding Bonds. As a result, the refunded portion of the debt obligation has been removed as long-term obligation from the government-wide statement of net position. At June 30, 2015, the 2005 General Obligation Refunding Bonds, totaling \$9,325,000, were still outstanding.

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 have a final maturity to occur on November 1, 2023, with interest rates ranging from 3.50 to 5.00 percent.

On February 12, 2014, the District issued the 2014 General Obligation Refunding Bonds, Series A, in the amount of \$13,010,000 to advance refund \$2,065,000 of the 2006 General Obligation Refunding Bonds. As a result, the refunded portion of the debt obligation has been removed as long-term obligation from the government-wide statement of net position. At June 30, 2015, the 2006 General Obligation Refunding Bonds, totaling \$8,115,000, were still outstanding.

2005 General Obligation Bonds, Series 2006 (Measure R)

On March 9, 2006, the District issued the 2005 General Obligation Bonds, Series 2006 (Measure R) current and capital appreciation 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 rates ranging from 3.50 to 5.00 percent.

On February 12, 2014, the District issued the 2014 General Obligation Refunding Bonds, Series A, in the amount of \$13,010,000 to advance refund \$11,315,000 of the 2005 General Obligation Refunding Bonds, Series 2006 (Measure R). As a result, the refunded portion of the debt obligation has been removed as long-term obligation from the government-wide statement of net position. At June 30, 2015, the 2005 General Obligation Refunding Bonds, Series 2006 (Measure R), totaling \$15,119,606, were still outstanding.

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

2005 General Obligation Bonds, Series 2006 (Measure S)

On March 9, 2006, the District issued the 2005 General Obligation Bonds, Series 2006 (Measure S) current and capital appreciation 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 rates ranging from 3.50 to 7.65 percent.

On February 12, 2014, the District issued the 2014 General Obligation Refunding Bonds, Series A, in the amount of \$13,010,000 to advance refund \$365,000 of the 2005 General Obligation Refunding Bonds, Series 2006 (Measure S). As a result, the refunded portion of the debt obligation has been removed as long-term obligation from the government-wide statement of net position. At June 30, 2015, the 2005 General Obligation Refunding Bonds, Series 2006 (Measure S), totaling \$855,710, were still outstanding.

2005 General Obligation Bonds, Series 2009 (Measure R)

On October 6, 2009, the District issued the 2005 General Obligation Bonds, Series 2009 (Measure R) capital appreciation 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 rates ranging from 5.68 to 6.18 percent. At June, 30, 2015, the 2005 General Obligation Bonds, Series 2009 (Measure R), totaling \$9,487,272 were still outstanding.

2005 General Obligation Bonds, Series 2006 (Measure S)

On October 6, 2009, the District issued the 2005 General Obligation Bonds, Series 2009 (Measure S) 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 rates ranging from 2.00 to 5.00 percent. At June, 30, 2015, 2005 General Obligation Bonds, Series 2009, (Measure S), totaling \$7,805,000 were still outstanding.

2014 General Obligation Refunding Bonds, Series A

On February 12, 2014, the District issued the 2014 General Obligation Refunding Bonds, Series A, in the amount of \$13,010,000. The bonds were issued to advance refund \$2,065,000 of the outstanding 2006 General Obligation Refunding Bonds, \$11,315,000 of the outstanding 2005 General Obligation Refunding Bonds, Series 2006 (Measure R), and \$375,000 of the outstanding 2005 General Obligation Refunding Bonds, Series 2006 (Measure S). The bonds associated with the issuance were placed in an escrow account with U.S. Bank for the future redemption of the bonds to occur on November 1, 2016 for the 2006 General Obligation Refunding Bonds and September 1, 2016 for the 2005 General Obligation Refunding Bonds, Series 2006 (Measure R) and 2005 General Obligation Refunding Bonds, Series 2006 (Measure S). The bonds have a final maturity to occur on September 1, 2027, with interest rates ranging from 0.150 to 3.17 percent. At June 30, 2015, the principal balance outstanding was \$12,945,000.

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

2014 General Obligation Refunding Bonds, Series B

On February 12, 2014, the District issued the 2014 General Obligation Refunding Bonds, Series B in the amount of \$7,855,000. The bonds were issued to advance refund \$7,235,000 of the outstanding 2005 General Obligation Refunding Bonds. The bonds associated with the issuance were placed in an escrow account with U.S. Bank for the future redemption of the bonds to occur November 1, 2015. The bonds have a final maturity to occur on September 1, 2021, with interest rates ranging from 0.350 to 2.972 percent. At June 30, 2015, the principal outstanding balance was \$7,635,000.

The bonds mature as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest to Maturity	Current Interest to Maturity	Total
2016	\$ 2,943,977	\$ 16,023	\$ 1,953,862	\$ 4,913,862
2017	3,283,767	21,233	1,860,081	5,165,081
2018	3,553,632	91,368	1,773,933	5,418,933
2019	3,899,920	135,080	1,687,257	5,722,257
2020	7,555,295	179,705	1,669,839	9,404,839
2021-2025	23,931,755	3,533,245	5,320,176	32,785,176
2026-2030	29,921,284	27,073,716	1,732,966	58,727,966
2031-2035	14,297,867	14,387,133	623,875	29,308,875
Total	<u>\$ 89,387,497</u>	<u>\$ 45,437,503</u>	<u>\$ 16,621,989</u>	<u>\$ 151,446,989</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, 2014	\$ 546,673
Payments	(225,380)
Balance, June 30, 2015	<u>\$ 321,293</u>

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The capital leases have minimum lease payments as follows:

Year Ending Balance	Lease Payment
2016	\$ 199,272
2017	122,021
Total	<u>321,293</u>
Less: Amount Representing Interest	(7,538)
Present Value of Minimum Lease Payments	<u><u>\$ 313,755</u></u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2015, amounted to \$1,693,094.

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
2016	\$ 549,729
2017	549,729
2018	549,729
Total	<u><u>\$ 1,649,187</u></u>

As of June 30, 2015, the remaining balance of the supplemental early retirement plan was \$1,649,187.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2015, was \$1,299,730, and contributions made by the District during the year were \$406,370. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$112,012 and \$(161,942), respectively, which resulted in an increase to the net OPEB obligation of \$843,430. As of June 30, 2015, the net OPEB obligation was \$3,643,733. 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, 2015

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 10,000	\$ -	\$ 2,835	\$ 12,835
Stores inventories	25,602	-	42,972	68,574
Prepaid expenditures	39,353	-	1,000	40,353
Total Nonspendable	74,955	-	46,807	121,762
Restricted				
Legally restricted programs	604,110	-	-	604,110
Cafeteria program	-	-	1,048	1,048
Capital projects	-	-	1,741,399	1,741,399
Debt services	-	4,274,585	-	4,274,585
Total Restricted	604,110	4,274,585	1,742,447	6,621,142
Committed				
Adult education program	-	-	203,817	203,817
Deferred maintenance program	-	-	1,263,876	1,263,876
Total Committed	-	-	1,467,693	1,467,693
Assigned				
Special reserve fund for other than capital outlay projects	1,179,187	-	-	1,179,187
Postemployment benefits	2,310,762	-	-	2,310,762
Site gift/PTA carryover	487,043	-	-	487,043
Parcel tax - textbooks	565,328	-	-	565,328
Tier III - BTSA	385,071	-	-	385,071
Budget contingency	2,899,450	-	-	2,899,450
One-time mandate funding - textbooks	760,986	-	-	760,986
GATE	34,020	-	-	34,020
Community services	340,866	-	-	340,866
Capital projects	-	-	1,562,283	1,562,283
Total Assigned	8,962,713	-	1,562,283	10,524,996
Unassigned				
Reserve for economic uncertainties	3,181,237	-	-	3,181,237
Total Unassigned	3,181,237	-	-	3,181,237
Total	\$12,823,015	\$ 4,274,585	\$ 4,819,230	\$21,916,830

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 256 retirees and beneficiaries currently receiving benefits and 773 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 2014-2015, the District contributed \$406,370 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	\$ 1,299,730
Interest on net OPEB obligation	112,012
Adjustment to annual required contribution	(161,942)
Annual OPEB cost (expense)	<u>1,249,800</u>
Contributions made	<u>(406,370)</u>
Increase in net OPEB obligation	843,430
Net OPEB obligation, beginning of year	<u>2,800,303</u>
Net OPEB obligation, end of year	<u><u>\$ 3,643,733</u></u>

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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
2013	\$ 1,169,076	\$ 402,795	34%	\$ 2,057,649
2014	1,155,414	412,760	36%	2,800,303
2015	1,249,800	406,370	33%	3,643,733

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, 2014	\$ -	\$ 12,205,827	\$ 12,205,827	0%	\$ 66,159,004	18%

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, 2014, 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 four 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 four percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2015, was 23 years.

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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, 2015, 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 2015, 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.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflow of Resources</u>	<u>Proportionate Share of Deferred Inflow of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS	\$ 58,557,483	\$ 4,403,578	\$ 14,419,669	\$ 5,055,402
CalPERS	20,695,344	2,420,120	8,056,325	1,839,393
Total	<u>\$ 79,252,827</u>	<u>\$ 6,823,698</u>	<u>\$ 22,475,994</u>	<u>\$ 6,894,795</u>

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the District's total contributions were \$4,403,578.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 58,557,483
State's proportionate share of the net pension liability associated with the District	35,359,536
Total	<u>\$ 93,917,019</u>

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.1002 percent.

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

For the year ended June 30, 2015, the District recognized pension expense of \$5,055,402 and revenue and pension expense of \$3,052,670 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,403,578	\$ -
Difference between projected and actual earnings on plan investments	-	14,419,669
Total	<u>\$ 4,403,578</u>	<u>\$ 14,419,669</u>

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 3,604,917
2017	3,604,917
2018	3,604,917
2019	3,604,918
Total	<u>\$ 14,419,669</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary' investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independently from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of ten-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 91,275,801
Current discount rate (7.60%)	58,557,483
1% increase (8.60%)	31,276,351

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation 2013. This report, and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the total District contributions were \$2,420,120.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$20,695,344. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was .1823 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$1,839,393. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>\$</u>	<u>\$</u>
Pension contributions subsequent to measurement date	2,420,120	-
Net change in proportionate share of net pension liability	-	945,173
Difference between projected and actual earnings on plan investments	-	7,111,152
Total	<u>\$ 2,420,120</u>	<u>\$ 8,056,325</u>

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The deferred inflow of resources related to the differences between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 1,777,788
2017	1,777,788
2018	1,777,788
2019	1,777,788
Total	<u>\$ 7,111,152</u>

The deferred inflow of resources related to the net change in proportionate share of net pension liability will be amortized over the expected average remaining service lives (EARSL) of all members that are provided benefits (active, in active, and retirees) as of the beginning of the measurement period. The EARLS for the 2013-2014 measurement period is 3.9 years the pension expense will be recognized as follows:

Year Ended June 30,	Amortization
2016	\$ 315,057
2017	315,058
2018	315,058
Total	<u>\$ 945,173</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.50%)	\$ 36,304,358
Current discount rate (7.50%)	20,695,344
1% increase (8.50%)	7,352,440

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 \$2,542,715 (5.679 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.

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, 2015.

Construction Commitments

As of June 30, 2015, the District had the following commitments with respect to the unfinished capital projects:

	Remaining Construction Commitment	Expected Date of Completion
<u>CAPITAL PROJECT</u>		
Ongoing Repair Projects	<u>\$ 344,500</u>	06/30/17

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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, 2015, the District made payments of \$2,456,552 and \$450,455 to ASCIP and Southern California Regional Occupational Program, respectively, for services received.

NOTE 16 - SUBSEQUENT EVENTS

Tax and Revenue Anticipation Note

The District received \$5,000,000 of Tax and Revenue Anticipation Notes on June 18, 2015. The notes mature on June 1, 2016, 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 2016, until 100 percent of the principal and interest due is on account in April 2016.

2015 General Obligation Refunding Bonds

On July 8, 2015, the District issued \$7,335,000 of the 2015 General Obligation Refunding Bonds. The current interest bonds have a final maturity to occur on November 1, 2025, with interest rates ranging from 2.00 to 5.00 percent. Proceeds from the bonds will be used to refund a portion of the District's outstanding 2005 General Obligation bonds and pay costs associated with the issuance of the bonds.

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 17 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position

Net Position - Beginning	\$ 94,980,717
Inclusion of net pension liability from the adoption of GASB Statement No. 68	(101,104,595)
Inclusion of deferred outflows of resources from the adoption of GASB Statement No. 68	5,871,784
Net Position - Beginning as Restated	<u>\$ (252,094)</u>

REQUIRED SUPPLEMENTARY INFORMATION

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variances -
	Original	Final	(GAAP Basis)	Positive (Negative) Final to Actual
REVENUES				
Local Control Funding Formula	\$ 76,323,627	\$ 76,240,257	\$ 76,554,746	\$ 314,489
Federal sources	2,614,647	2,775,749	2,402,958	(372,791)
Other State sources	6,697,913	7,493,913	10,430,052	2,936,139
Other local sources	11,648,213	15,059,805	15,510,311	450,506
Total Revenues ¹	97,284,400	101,569,724	104,898,067	3,328,343
EXPENDITURES				
Current				
Certificated salaries	47,235,458	51,043,583	50,965,838	77,745
Classified salaries	18,258,500	19,284,236	19,187,453	96,783
Employee benefits	15,199,654	15,885,750	18,256,129	(2,370,379)
Books and supplies	5,482,577	7,219,894	4,753,904	2,465,990
Services and operating expenditures	12,661,515	14,524,924	14,052,607	472,317
Capital outlay	220,036	200,362	185,877	14,485
Other outgo	605,751	1,182,136	882,136	300,000
Total Expenditures ¹	99,663,491	109,340,885	108,283,944	1,056,941
Excess (Deficiency) of Revenues Over Expenditures	(2,379,091)	(7,771,161)	(3,385,877)	4,385,284
Other Financing Sources (Uses)				
Transfers in	1,823,327	1,823,327	870,043	(953,284)
Transfers out	(717,941)	(300,000)	(300,000)	-
Net Financing Sources (Uses)	1,105,386	1,523,327	570,043	(953,284)
NET CHANGE IN FUND BALANCES	(1,273,705)	(6,247,834)	(2,815,834)	3,432,000
Fund Balances - Beginning	15,638,849	15,638,849	15,638,849	-
Fund Balances - Ending	\$ 14,365,144	\$ 9,391,015	\$ 12,823,015	\$ 3,432,000

¹ On behalf payments of \$2,542,715 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, 2015**

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, 2010	\$ -	\$ 6,610,213	\$ 6,610,213	0%	\$ 64,215,594	10%
July 1, 2012	-	10,896,064	10,896,064	0%	64,561,324	17%
July 1, 2014	-	12,205,827	12,205,827	0%	66,159,004	18%

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2015

	<u>2015</u>
CalSTRS	
District's proportion of the net pension liability	<u>0.1002%</u>
District's proportionate share of the net pension liability	\$ 58,557,483
State's proportionate share of the net pension liability associated with the District	<u>35,359,536</u>
Total	<u>\$ 93,917,019</u>
District's covered - employee payroll	<u>\$ 46,044,809</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>127.17%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77%</u>
CalPERS	
District's proportion of the net pension liability	<u>0.1823%</u>
District's proportionate share of the net pension liability	<u>\$ 20,695,344</u>
District's covered - employee payroll	<u>\$ 19,168,002</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>107.97%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83%</u>

Note: In the future, as data become available, ten years of information will be presented.

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>
CalSTRS	
Contractually required contribution	\$ 4,403,578
Contributions in relation to the contractually required contribution	<u>4,403,578</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 49,589,842</u>
Contributions as a percentage of covered - employee payroll	<u>8.88%</u>
 CalPERS	
Contractually required contribution	\$ 2,420,120
Contributions in relation to the contractually required contribution	<u>2,420,120</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 20,561,767</u>
Contributions as a percentage of covered - employee payroll	<u>11.77%</u>

Note: In the future, as data become available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Title I, Part A - Low Income and Neglected	84.010	14329	\$ 403,075
Title I, Part G- Advanced Placement Test Fee Reimbursement Program	84.330B	14831	6,179
Title II, Part A - Improving Teacher Quality	84.367	14341	84,831
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	99,914
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048A	14894	42,739
Passed through Los Angeles County Office of Education (LACOE):			
Individuals with Disabilities Education Act			
Special Education (IDEA) Cluster:			
Local Assistance Entitlement	84.027	13379	1,393,017
Preschool Local Entitlement	84.027A	13682	170,483
Preschool Grants, Part B, Section 619	84.173	13430	81,684
Preschool Staff Development, Part B, Section 619	84.173A	13431	414
Mental Health Allocation Plan, Part B, Section 611	84.027A	15197	120,622
Subtotal Special Education (IDEA) Cluster			<u>1,766,220</u>
Total U.S. Department of Education			<u>2,402,958</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	249,086
Basic Breakfast	10.553	13525	12,346
Commodities	10.555	13396	139,108
Subtotal Child Nutrition Cluster			<u>400,540</u>
Total U.S. Department of Agriculture			<u>400,540</u>
Total Expenditures of Federal Awards			<u>\$ 2,803,498</u>

See accompanying note to supplementary information.

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2015

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 ten K-5 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>
Larry Vanden Bos	President	2015
Malcolm S. Sharp	Vice President	2017
Anthony Callatos	Clerk	2017
Barbara Lucky	Member	2017
Linda Reid	Member	2015

ADMINISTRATION

Don Austin, Ed.D.	Superintendent of Schools
Lydia Cano	Deputy Superintendent
John Bowes, Ed.D.	Assistant Superintendent, Human Resources
Trent Bahadursingh	Assistant Superintendent, Technology and Support Services
Joanne Culverhouse, Ed.D.	Assistant Superintendent, Educational Services

See accompanying note to supplementary information.

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2015**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	2,825.09	2,828.78
Fourth through sixth	2,451.20	2,449.61
Seventh and eighth	1,800.43	1,798.13
Ninth through twelfth	4,179.63	4,165.16
Total Regular ADA	<u>11,256.35</u>	<u>11,241.68</u>
Extended Year Special Education		
Transitional kindergarten through third	3.34	3.34
Fourth through sixth	3.19	3.19
Seventh and eighth	2.06	2.06
Ninth through twelfth	7.21	7.21
Total Extended Year Special Education	<u>15.80</u>	<u>15.80</u>
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.80	0.68
Seventh and eighth	3.78	3.47
Ninth through twelfth	17.97	16.16
Total Special Education, Nonpublic, Nonsectarian Schools	<u>22.55</u>	<u>20.31</u>
Extended Year Special Education - Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.11	0.11
Seventh and eighth	0.46	0.46
Ninth through twelfth	1.53	1.53
Total Extended Year Special Education - Nonpublic, Nonsectarian Schools	<u>2.10</u>	<u>2.10</u>
Total ADA	<u><u>11,296.80</u></u>	<u><u>11,279.89</u></u>

See accompanying note to supplementary information.

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2015**

Grade Level	1986-87	Reduced	2014-15 Actual Minutes	Number of Days		Status
	Minutes Requirement	1986-87 Minutes Requirement		Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	35,000	37,855	180	-	Complied
Grades 1 - 3	50,400	49,000				
Grade 1			50,585	180	-	Complied
Grade 2			50,585	180	-	Complied
Grade 3			53,960	180	-	Complied
Grades 4 - 6	54,000	52,500				
Grade 4			54,004	180	-	Complied
Grade 5			54,004	180	-	Complied
Grade 6			62,280	180	-	Complied
Grades 7 - 8	54,000	52,500				
Grade 7			62,280	180	-	Complied
Grade 8			62,280	180	-	Complied
Grades 9 - 12	64,800	63,000				
Grade 9			71,301	180	-	Complied
Grade 10			71,301	180	-	Complied
Grade 11			71,301	180	-	Complied
Grade 12			71,301	180	-	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, 2015**

There were no adjustments to the Unaudited Actual Financial Report, which require reconciliation to the audited financial statements at June 30, 2015.

See accompanying note to supplementary information.

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

	(Budget) 2016 ¹	2015	2014	2013
GENERAL FUND ⁴				
Revenues	\$ 112,799,667	\$ 104,592,620	\$ 99,922,373	\$ 96,423,790
Other sources	1,823,327	1,823,327	870,043	681,472
Total Revenues and Other Sources	114,622,994	106,415,947	100,792,416	97,105,262
Expenditures	104,988,738	108,283,944	99,399,964	96,963,818
Other uses and transfers out	587,979	300,000	300,000	1,324,555
Total Expenditures and Other Uses	105,576,717	108,583,944	99,699,964	98,288,373
INCREASE (DECREASE) IN FUND BALANCE	\$ 9,046,277	\$ (2,167,997)	\$ 1,092,452	\$ (1,183,111)
ENDING FUND BALANCE	\$ 18,379,343	\$ 9,333,066	\$ 11,501,063	\$ 10,408,611
AVAILABLE RESERVES ²	\$ 3,167,303	\$ 3,181,237	\$ 2,908,700	\$ 3,535,780
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	3.00%	3.00%	3.00%	3.68%
LONG-TERM OBLIGATIONS	N/A	\$ 100,066,503	\$ 100,399,080	\$ 98,283,988
K-12 AVERAGE DAILY ATTENDANCE AT P-2	11,281	11,297	11,380	11,498

The General Fund balance has decreased by \$1,075,545 over the past two years. The fiscal year 2015-2016 budget projects an increase of \$9,046,277 (96.9 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years but anticipates incurring an operating surplus during the 2015-2016 fiscal year. Total long-term obligations have increased by \$1,782,515 over the past two years.

Average daily attendance has decreased by 201 over the past two years. An additional decline of 16 ADA is anticipated during fiscal year 2015-2016.

¹ Budget 2016 is included for analytical purposes only and has not been subjected to audit.

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

³ On behalf payments of \$2,542,715, \$2,459,104, and \$2,297,841 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015, 2014, and 2013, respectively.

⁴ 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.

See accompanying note to supplementary information.

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015**

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	\$ 210,625	\$ 151,184	\$ 1,262,194
Receivables	522	4,545	1,682
Prepaid expenses	1,000	-	-
Stores inventories	-	42,972	-
Total Assets	\$ 212,147	\$ 198,701	\$ 1,263,876
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 7,330	\$ 151,846	\$ -
Fund Balances:			
Nonspendable	1,000	45,807	-
Restricted	-	1,048	-
Committed	203,817	-	1,263,876
Assigned	-	-	-
Total Fund Balances	204,817	46,855	1,263,876
Total Liabilities and Fund Balances	\$ 212,147	\$ 198,701	\$ 1,263,876

See accompanying note to supplementary information.

Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
\$ 1,831,295	\$ 1,569,097	\$ 5,024,395
2,296	1,145	10,190
-	-	1,000
-	-	42,972
<u>\$ 1,833,591</u>	<u>\$ 1,570,242</u>	<u>\$ 5,078,557</u>

<u>\$ 92,192</u>	<u>\$ 7,959</u>	<u>\$ 259,327</u>
-	-	46,807
1,741,399	-	1,742,447
-	-	1,467,693
-	1,562,283	1,562,283
<u>1,741,399</u>	<u>1,562,283</u>	<u>4,819,230</u>
<u>\$ 1,833,591</u>	<u>\$ 1,570,242</u>	<u>\$ 5,078,557</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, 2015**

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES			
Local Control Funding Formula	\$ 45,278	\$ -	\$ 412,021
Federal sources	-	400,540	-
Other State sources	-	10,253	-
Other local sources	182,606	1,962,572	4,879
Total Revenues	227,884	2,373,365	416,900
EXPENDITURES			
Current			
Instruction	106,238	-	-
Instruction-related activities:			
School site administration	97,330	-	-
Pupil services:			
Food services	-	2,433,612	-
Administration:			
All other administration	6,107	-	-
Plant services	-	-	40,660
Facility acquisition and construction	-	-	432,351
Debt service			
Principal	-	12,807	-
Total Expenditures	209,675	2,446,419	473,011
Excess (Deficiency) of Revenues Over Expenditures	18,209	(73,054)	(56,111)
Other Financing Sources			
Transfers in	-	-	300,000
NET CHANGE IN FUND BALANCES	18,209	(73,054)	243,889
Fund Balances - Beginning	186,608	119,909	1,019,987
Fund Balances - Ending	\$ 204,817	\$ 46,855	\$ 1,263,876

See accompanying note to supplementary information.

Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 457,299
-	-	-	400,540
-	-	-	10,253
-	800,947	234,610	3,185,614
-	800,947	234,610	4,053,706
-	-	-	106,238
-	-	-	97,330
-	-	-	2,433,612
-	86	-	6,193
223	34,803	49,934	125,620
-	111,764	2,194,856	2,738,971
-	-	114,194	127,001
223	146,653	2,358,984	5,634,965
(223)	654,294	(2,124,374)	(1,581,259)
-	-	-	300,000
(223)	654,294	(2,124,374)	(1,281,259)
223	1,087,105	3,686,657	6,100,489
\$ -	\$ 1,741,399	\$ 1,562,283	\$ 4,819,230

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

Districts must maintain their instructional minutes at 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2015

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.

INDEPENDENT AUDITOR'S REPORTS



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

Governing Board
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, 2015, 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 2, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 17 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

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 2, 2015.

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.

VAORNEK, TRINA DAY + CO, LLP

Rancho Cucamonga, California
December 2, 2015



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

Governing Board
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 (the District) 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 major Federal programs for the year ended June 30, 2015. 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, 2015.

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.

VAORNEK, TIZAS. Day + QUP

Rancho Cucamonga, California
December 2, 2015



INDEPENDENT AUDITOR'S 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 (the District) compliance with the types of compliance requirements as identified in the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* 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, 2015.

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 *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. 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 opinions. 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, 2015.

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:

	<u>Procedures Performed</u>
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	Yes
Adult Education Maintenance of Effort	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Charter Schools:	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

The ADA for the Independent Study and Continuation Education programs was below materiality thresholds as indicated in the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, therefore, we did not perform procedures related to the Independent Study and Continuation Education programs.

The District does not offer an Early Retirement Incentive Program; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have a Middle or Early College High School Program; therefore, we did not perform procedures related to the Middle or Early College High School Program.

The District does not offer an After School Education and Safety Program or a Before School Education and Safety Program; therefore, we did not perform any procedures related to the After School Education and Safety Program or Before School Education and Safety Program.

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

VAJZNEK, TRINA Day + CUP

Rancho Cucamonga, California
December 2, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.027A, 84.173.	
84.173A	<u>Special Education (IDEA) Cluster</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>

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

STATE AWARDS

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

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2015

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations.

State Awards Findings

Unduplicated Local Control Funding Formula Pupil Counts

2014-001 40000

Criteria or Specific Requirements

California Education Code Section 42238.02(b)(4) states that the school districts should revise their submitted data on English learner, foster youth, and free or reduced-price meal eligible pupil counts to ensure the accuracy of data reflected in the California Longitudinal Pupil Achievement Data System.

Condition

The District did not have supporting documentation for 17 students selected who had a status designation of Free or Reduced on the '1.18 – FRPM/English Learner/Foster Youth – Student List' CALPADS report. It appears the District did not receive a current year application for these students and the 1.18 report was not updated. A total population of 226 students were identified as having a Free or Reduced status on the '1.18 – FRPM/English Learner/Foster Youth – Student List' CALPADS report. An additional 8 students were identified from the remaining population by the District without supporting documentation. As a result, a total of 17 students were reported as free or reduced incorrectly on the 1.18 detail report and as a result on the 1.17 – FRPM/English Learner/Foster Youth Count' certified CALPADS report.

Questioned Costs

The questioned costs associated with this condition resulted in a decrease in Local Control Funding Formula of \$9,304.

Context

The condition was identified as a result of selecting a sample of students from the '1.18 – FRPM/English Learner/Foster Youth – Student List' CALPADS report. The '1.18 – FRPM/English Learner/Foster Youth – Student List' was agreed to '1.17 – FRPM/English Learner/Foster Youth Count' certified CALPADS report to ensure the correct 1.18 report was used. The initial sample was selected from four school sites, which resulted in exceptions noted for three of these sites. Out of 50 students initially selected, 8 did not have a current year eligibility application. Additional testing was then performed on the remaining population of students from the three sites containing exceptions. From the remaining population, 9 did not have a current year application. It appears that the errors were a result of students who had a Free or Reduced designation in the prior year and who did not turn in an application in the current year by the October 2, 2013 certified date.

PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2015

Effect

As a result of our testing, it appears that the District did not update the '1.18 – FRPM/English Learner/Foster Youth – Student List' CALPADS report for pupils that did not have documentation supporting a Free or Reduce designation on the '1.18 – FRPM/English Learner/Foster Youth – Student List' CALPADS report.

The following is a schedule of the unduplicated pupil counts summarizing these results:

School Code	School Name	Total Enrollment	Unduplicated FRPM/EL/Foster Youth Total	Adjustment by Auditor	Adjusted total unduplicated pupil count
6021307	Cornerstone at Pedregal Elementary	408	41	-	41
6116172	Dapplegray Elementary	627	56		56
6021240	Lunada Bay Elementary	346	31	-	31
6021273	Mira Catalina Elementary	385	30	-	30
6021331	Miraleste Intermediate	883	68	(8)	60
6021281	Miraleste Kindergarten	24	-	-	-
6021299	Montemalaga Elementary	443	57	-	57
0000001	NPS School Group for Palos Verdes Peninsula Unified	24	1	-	1
1996552	Palos Verdes High	1,680	65	-	65
6021257	Palos Verdes Intermediate	973	56	-	56
1995588	Palos Verdes Peninsula High	2,580	212	(8)	204
1964865	Palos Verdes Peninsula Unified	-	-	-	-
6021315	Point Vicente Elementary	369	61	-	61
1933308	Rancho del Mar High (Continuation)	81	9	-	9
6021323	Rancho Vista Elementary	457	67	-	67
6117584	Ridgecrest Intermediate	924	111	-	111
6021349	Silver Spur Elementary	545	42	-	42
6021356	Soleado Elementary	439	111	(1)	110
0118638	Sunrise Pre-School	-	-	-	-
6116164	Valmonte Elementary	21	2	-	2
6021372	Vista Grande Elementary	491	108	-	108
TOTAL - Selected Schools		11,700	1,128	(17)	1,111

Cause

It appears the cause was due to the District being unsure which CALPADS reports the changes had to be made to and the timeline with which it had to make changes to the reports.

Recommendation

The District should review procedures with the Food Service and Technology Departments to ensure the corrected designations are reflected on the '1.18 – FRPM/English Learner/Foster Youth – Student List' CALPADS report within the allowed time period.

Current Status

Implemented



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, 2015, 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 3, 2015 on the government-wide financial statements of the District.

INTERNAL CONTROLS

Payroll

Observation

During the course of our review of the District's vacation accrual process, the auditor tested twenty employees for compliance with District policy. Seventeen of the employees tested were 10-month employees, and the remaining three employees were 12-month employees. The auditor noted the following concern:

1. One of three 12-month employees tested was not in compliance with the district's carryover restriction policy of 32 days. The employee had a carryover of 45.75 days.

Recommendation

The District should ensure that Article 12.7 in their Collective Bargaining Contract Agreement between Palos Verdes Peninsula Unified School District and Palos Verdes Chapter 123 is complied with. The policy reads as follows:

'Vacation cannot be taken until earned except in case of mandatory site closure and except for those unit members working less than (twelve) 12 months. On or before September 1st of each year, unit members shall present an annual plan/schedule for using earned vacation days to his/her immediate supervisor for approval. It is the unit member's responsibility to use his/her annual vacation days in compliance with this article. Effective July 1, 2002, except in cases where a unit member is not permitted by the District to take his/her full annual vacation, unit members will be limited to thirty-two (32) days of accumulated and earned vacation days prior to July 1, 2002 are expected to develop a plan with their immediate supervisors to use these vacation days over a 2-3 year period. All exceptions to this article must be approved by, and shall be at the sole discretion of the Superintendent or his/her designee.

Disbursements – Travel Expense

Observation

'Conference Attendance Request' forms were not available for two of nine tested employees who had attended a conference during the year.

Recommendation

It is recommended the District improve upon internal controls surrounding conference attendance and expense reimbursements. Conference request forms and conference expense reimbursement forms should be approved for employees who request to attend conferences.

Clearing Account

Observation

The monies received from the sites do not consistently include the site or department 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 consider strengthening controls over the completeness of receipts by issuing triplicate, pre-numbered receipt books to all sites and departments where cash and other monies are collected. The District should monitor the 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. This may be done by using a log for each site and department that indicates the date monies were received, the receipt numbers included in deposit, and the amount of deposit.

ASSOCIATED STUDENT BODY (ASB)

Palos Verdes High School

Observations

During the auditor's review of the ASB, the following internal control deficiencies were noted:

1. Four of 18 disbursements reviewed did not have prior approval. A requisition form is used; however, it is used to request payment rather than a pre-approval document.
2. Two of 18 disbursements reviewed did not have receiving documentation.
3. The site completes fundraising request forms which document the anticipated revenues and expenses for each fundraiser as well as the signatures of pre-approval; however, revenue potentials are not completed at the conclusion of fundraising events to show actual profit/ loss from the activity.
4. Stale-dated checks (6 months or older from date of issuance) were noted on the January 2015 bank reconciliation as outstanding checks

Recommendations

1. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by the student council. This would allow 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.
2. All expenditures should indicate whether the items purchased 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.
3. Revenue potentials 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. In addition, it is recommended that club advisor provide proper supporting documentation when cash is turned into the ASB Clerk for the event. In the cases where items are being sold we recommend that club advisor keep a tally form indicating their starting inventory, as well listing the items to be sold and their price. Every time an item is sold they will indicate it by placing a mark next to the item. At the end of the sale they should perform a final inventory count and indicate if any inventory is left over. If inventory is left over the club advisors should indicate how the remaining inventory will be sold. Additionally the tally sheet serves as a tool to reconcile with the cash collected.
4. Outstanding checks over 6 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'.

Ridgecrest Intermediate School

Observations

During our review of ASB procedures, the following internal control deficiencies were noted:

1. Receipts are not used to account for monies collected and therefore, there is no reconciliation between issued receipts and bank deposits.
2. All ten disbursements reviewed did not have evidence of pre-approval.
3. The auditor noted the site held fundraisers for a charity, however the auditor 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 disbursement made to the charity.
4. The ASB does not have a procedure in place to review the monthly bank reconciliations.

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 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. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by the student council. This would allow 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.
3. 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.
4. The District should ensure that all reconciliations are reviewed for completeness and accuracy within a reasonable amount of time throughout the year. Evidence of this review should be available for audit purposes such as signing the bank reconciliation.

Palos Verdes Peninsula High School

During the auditor's review of the ASB, the auditor noted the following internal control deficiencies:

Observations

1. During testing of cash receipts, the auditor noted that out of 27 deposits tested, one was not deposited in a timely manner. The deposit for cash collections occurred 12 days after receipt of the funds.
2. The ASB does not have a procedure in place to review the monthly bank reconciliations.

Recommendations

1. All cash should be deposited within 10 days of its initial receipt date. This ensures that cash is not held on site for an extended period of time and provides less exposure to theft or loss of funds.
2. The District should ensure that all reconciliations are reviewed for completeness and accuracy within a reasonable amount of time throughout the year. Evidence of this review should be available for audit purposes such as signing the bank reconciliation.

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

VAJZANEK, TIZAS Day + CUP

Rancho Cucamonga, California
December 2, 2015