

**LAS VIRGENES UNIFIED  
SCHOOL DISTRICT  
AUDIT REPORT  
For the Fiscal Year Ended  
June 30, 2018**



**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*For the Fiscal Year Ended June 30, 2018*

*Table of Contents*

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<b>FINANCIAL SECTION</b>		<u>Page</u>
Independent Auditors' Report.....		1
Management's Discussion and Analysis.....		3
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position.....		12
Statement of Activities.....		13
Governmental Funds Financial Statements:		
Balance Sheet.....		14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....		15
Statement of Revenues, Expenditures, and Changes in Fund Balances.....		16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....		17
Proprietary Fund Financial Statements:		
Statement of Net Position .....		18
Statement of Revenues, Expenses and Changes in Fund Net Position .....		19
Statement of Cash Flows.....		20
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position.....		21
Notes to Financial Statements .....		22

**REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Schedule – General Fund.....	54
Schedule of Proportionate Share of the Net Pension Liability .....	55
Schedule of Pension Contributions.....	56
Schedule of Changes in the District's Total OPEB Liability and Related Ratios.....	57
Schedule of Changes in the District's Total OPEB Liability and Related Ratios-MPP Program.....	58
Notes to the Required Supplementary Information .....	59

**SUPPLEMENTARY INFORMATION**

Local Educational Agency Organization Structure .....	60
Schedule of Average Daily Attendance .....	61
Schedule of Instructional Time .....	62
Schedule of Financial Trends and Analysis.....	63
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements.....	64
Schedule of Expenditures of Federal Awards .....	65
General Fund Selected Financial Information Three-Year Summary of Revenues, Expenditures, and Changes in Fund Balance.....	66
Note to the Supplementary Information.....	67

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*For the Fiscal Year Ended June 30, 2018*

*Table of Contents*

---

**OTHER INDEPENDENT AUDITORS' REPORTS**

**Page**

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.....69

Independent Auditors' Report on State Compliance .....71

Independent Auditors' Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance .....73

**FINDINGS AND QUESTIONED COSTS**

Schedule of Audit Findings and Questioned Costs:

    Summary of Auditors' Results .....75

    Current Year Audit Findings and Questioned Costs .....76

    Summary Schedule of Prior Audit Findings .....79

Management Letter .....80

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***Financial Section***

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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Las Virgenes Unified School District  
Calabasas, 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 Las Virgenes Unified School District, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Las Virgenes Unified School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As discussed in Note 1.I. to the basic financial statements, the District has changed its method for accounting and reporting for postemployment benefits other than pensions during fiscal year 2017-18 due to the adoption of Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The adoption of this standard required retrospective application resulting in a \$11,836,175 reduction of previously reported net position at July 1, 2017. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total OPEB liability and related ratios, and the notes to the required supplementary information 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 District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 61 to 64 and the schedule of expenditures of federal awards on page 65 are the responsibility of management and were derived from and relate 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on page 60 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Nigro+Nigro, PC*

Murrieta, California  
November 28, 2018

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2018*

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This discussion and analysis of Las Virgenes Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's combined fund balances decreased by \$1.4 million, primarily due to spending down bond funds.
- The District's overall financial status declined from last year, as the net position decreased by 6.8% to \$(46.6) million for governmental activities. This change is primarily due to increases in the net pension liabilities outstanding for the District.
- The total cost of basic programs was \$142.3 million. Because a portion of these costs were paid for with charges, fees, and intergovernmental aid, the net cost that required taxpayer funding was \$124.6 million.
- Average daily attendance (grades K-12) decreased by 204, or 1.8%.

**NET PENSION LIABILITY**

The implementation of GASB 68 during the 2014-15 fiscal year has caused the District to record a liability, deferred inflows and deferred outflows, in the government-wide financial statements. These items are related to the CalSTRS and CalPERS pension plans, which the District is required to participate. As a participating employer in these pension plans, the District must now report its proportionate share of the plans' unfunded liabilities. However, the District's required contributions to the plans are not determined by the District. Rather, the contributions are set by legislation or the pension plan itself. The proportionate share percentage is determined by comparing the District's contributions to the plan against total plan contributions. This liability is described further in Note 11 to the financial statements.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
  - Short and long-term financial information about the activities of the District that operate like businesses (enterprise funds) are provided in the *proprietary fund statements*.
  - *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

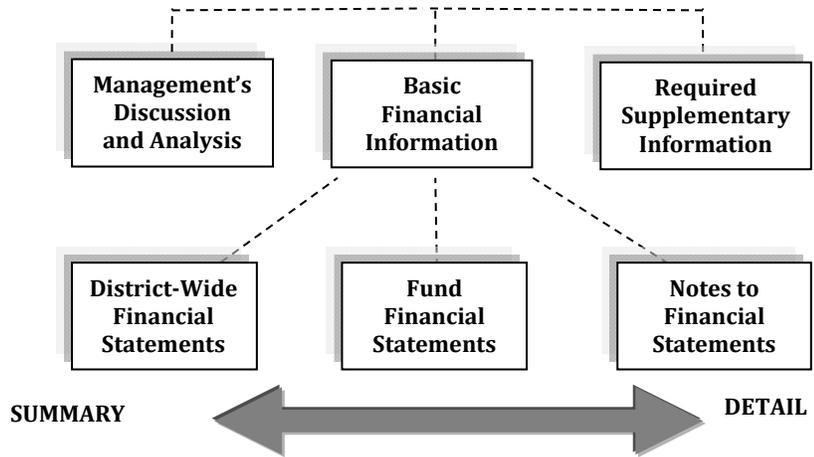
**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2018*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**Figure A-1. Organization of Las Virgenes Unified School District's Annual Financial Report**

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2018*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2. Major Features of the District-Wide and Fund Financial Statements**

<b>Type of Statements</b>	<b>District-Wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities of the District that operate like a business, such as self-insurance funds and food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures &amp; Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses &amp; Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2018*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**District-Wide Statements**

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues.

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- *Proprietary funds* – Proprietary funds use full accrual basis of accounting. Enterprise funds are considered business-type activities and are reported under a full accrual method. This is the same basis as business-type activities; therefore, no reconciling entries are required.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, namely, the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2018*

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position.** The District's combined net position was lower on June 30, 2018, than it was the year before – decreasing 6.8% to \$(46.6) million (See Table A-1).

**Table A-1: Statement of Net Position**

	Governmental Activities		Variance Increase (Decrease)	Business-Type Activities	
	2018	2017*		2018	2017
Current assets	\$ 71,954,890	\$ 79,228,951	\$ (7,274,061)	\$ 708,217	\$ 791,557
Capital assets, net of depreciation	208,474,937	213,359,327	(4,884,390)	125,874	59,263
Total assets	280,429,827	292,588,278	(12,158,451)	834,091	850,820
Total deferred outflows	1,724,459	1,860,080	(135,621)	-	-
Current liabilities	10,039,569	16,899,018	(6,859,449)	210,079	176,980
Long-term liabilities	223,304,255	231,042,519	(7,738,264)	-	-
Net pension liability	122,034,499	105,712,483	16,322,016	-	-
Total liabilities	355,378,323	353,654,020	1,724,303	210,079	176,980
Total deferred inflows	910,868	-	910,868	-	-
Net position					
Net investment in capital assets	69,124,920	68,136,646	988,274	125,874	59,263
Restricted	29,735,537	29,710,479	25,058	498,138	614,577
Unrestricted	(50,960,863)	(51,340,304)	379,441	-	-
Total net position, before net pension liability	47,899,594	46,506,821	1,392,773	\$ 624,012	\$ 673,840
Amounts related to the net pension liability					
Deferred outflows	34,366,999	23,754,650	10,612,349		
Net pension liability	(122,034,499)	(105,712,483)	(16,322,016)		
Deferred inflows	(6,830,391)	(8,190,518)	1,360,127		
Total net position	\$ (46,598,297)	\$ (43,641,530)	\$ (2,956,767)		

\*As restated

**Changes in net position, governmental activities.** The District's total revenues increased 1.4% to \$139.3 million (See Table A-2). The increase is due primarily to state budget increases.

The total cost of all programs and services increased 2.6% to \$142.3 million. The District's expenses are predominantly related to educating and caring for students, 76.4%. The purely administrative activities of the District accounted for just 6.6% of total costs. The increase in administrative costs resulted primarily from a change in the coding of technology services. In prior years these were coded fully to instruction-related expenses, however, in the current year, they were allocated between instruction and administration.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2018*

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)**

**Table A-2: Statement of Activities**

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>2018</b>	<b>2017</b>	
<b>Revenues</b>			
Program Revenues:			
Charges for services	\$ 1,176,576	\$ 961,991	\$ 214,585
Operating grants and contributions	16,538,605	17,971,440	(1,432,835)
General Revenues:			
Property taxes	69,886,714	66,352,569	3,534,145
Federal and state aid not restricted	44,331,746	45,180,826	(849,080)
Other general revenues	7,388,903	6,997,216	391,687
<b>Total Revenues</b>	<b>139,322,544</b>	<b>137,464,042</b>	<b>1,858,502</b>
<b>Expenses</b>			
Instruction-related	99,243,835	100,028,797	(784,962)
Pupil services	9,519,665	9,549,608	(29,943)
Administration	9,381,452	5,321,209	4,060,243
Plant services	12,060,800	10,565,912	1,494,888
All other activities	12,073,559	13,162,374	(1,088,815)
<b>Total Expenses</b>	<b>142,279,311</b>	<b>138,627,900</b>	<b>3,651,411</b>
Increase (decrease) in net position	<b>\$ (2,956,767)</b>	<b>\$ (1,163,858)</b>	<b>\$ (1,792,909)</b>
<b>Total Net Position</b>	<b>\$ (46,598,297)</b>	<b>\$ (43,641,530)</b>	<b>\$ (2,956,767)</b>

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$61.3 million, which is below last year's ending fund balance of \$62.7 million. The primary cause of the decreased fund balance is ongoing capital projects.

**Table A-3: The District's Fund Balances**

<b>Fund</b>	<b>Fund Balances</b>				
	July 1, 2017	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2018
General Fund	\$ 29,649,029	\$ 122,741,500	\$ 122,104,766	\$ (850,000)	\$ 29,435,763
Deferred Maintenance Fund	631,630	12,678	1,208,205	850,000	286,103
Building Fund	7,227,172	94,820	2,354,441	-	4,967,551
Capital Facilities Fund	7,570,747	1,188,332	631,752	-	8,127,327
Bond Interest and Redemption Fund	17,604,919	18,676,303	17,766,409	-	18,514,813
	<b>\$ 62,683,497</b>	<b>\$ 142,713,633</b>	<b>\$ 144,065,573</b>	<b>\$ -</b>	<b>\$ 61,331,557</b>

**General Fund Budgetary Highlights**

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by \$4.6 million primarily due to revised state budget estimates.
- Salaries and benefits costs – increased by \$2.2 million due to changes in collective bargaining agreements.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2018*

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**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)**

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about \$2.4 million, the actual results for the year show that revenues exceeded expenditures by roughly \$0.6 million. Actual revenues were \$1.1 million more than anticipated, and expenditures were \$1.9 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2018, that will be carried over into the 2018-19 budget.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2017-18, the District had invested \$3.6 million in new capital assets, related to the District's facility program. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year exceeded \$8.4 million.

**Table A-4: Capital Assets at Year-End, Net of Depreciation**

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>2018</b>	<b>2017</b>	
Land	\$ 14,853,507	\$ 14,853,507	\$ -
Land improvements	3,830,035	4,355,200	(525,165)
Buildings	188,022,761	192,076,756	(4,053,995)
Equipment	1,430,843	1,743,828	(312,985)
Construction in progress	337,791	330,036	7,755
<b>Total</b>	<b>\$ 208,474,937</b>	<b>\$ 213,359,327</b>	<b>\$ (4,884,390)</b>

**Long-Term Debt**

At year-end the District had approximately \$345.3 million in general obligation bonds, certificates of participation, compensated absences, early retirement incentives, and employment benefits – an increase of 2.5% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

**Table A-5: Outstanding Long-Term Debt at Year-End**

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>2018</b>	<b>2017*</b>	
General obligation bonds	\$ 186,147,640	\$ 193,398,675	\$ (7,251,035)
Certificates of participation	10,825,617	11,235,523	(409,906)
Compensated absences	915,676	931,051	(15,375)
Early retirement incentive	258,950	436,000	(177,050)
Other postemployment benefits	25,156,372	25,041,270	115,102
Net pension liability	122,034,499	105,712,483	16,322,016
<b>Total</b>	<b>\$ 345,338,754</b>	<b>\$ 336,755,002</b>	<b>\$ 8,583,752</b>

\*As restated

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2018*

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**FACTORS BEARING ON THE DISTRICT'S FUTURE**

**The 2018-19 State Budget**

***Final Budget Package Includes \$15.9 Billion in Total Reserves***

The Legislature passed the final budget package on June 14, 2018. Total reserves in the final budget package are lower than the proposed level in the May Revision, but roughly the same as the level proposed by the Governor in January. The budget package also reflects various choices that shifted spending priorities compared to the Governor's proposal. In particular, the final budget package reduces payments for deferred maintenance by \$700 million—relative to the Governor's proposal—freeing up a like amount of funding. Correspondingly, the final budget package reflects higher General Fund spending for homeless grants and the universities, among others. The Governor signed the *2018-19 Budget Act* and 26 other budget related bills on June 27 and June 28, 2018.

***Overall Spending***

The budget assumed total state spending of \$197.2 billion (excluding federal and bond funds), an increase of 7% over revised totals for 2017-18. General Fund spending in the budget package is \$138.7 billion—an increase of \$11.6 billion, or 9%, over the revised 2017-18 level. Special fund spending increased \$1.3 billion, or 2%, over the revised 2017-18 level.

***Considerable New Spending on Education***

The budget package contains significant increases for every education segment. For elementary and secondary schools, the state surpasses the Local Control Funding Formula target rates set in 2013-14. For early education, the budget contains higher spending for more slots, rate increases, staff training, and facilities.

***Proposition 98 Establishes Minimum Spending Level***

This minimum spending requirement is commonly called the minimum guarantee. The minimum guarantee is determined by three main formulas (known as tests) and various inputs, including General Fund revenue, per capita personal income, and K-12 student attendance. The state can spend at the minimum guarantee or any level above it. If the minimum guarantee increases after budget enactment due to updated inputs, the state owes a "settle-up" obligation. In some years, the state also creates or pays "maintenance factor." Maintenance factor is created when General Fund revenue growth is weak relative to changes in per capita personal income. Maintenance factor is paid when General Fund revenue growth is stronger.

***Higher Proposition 98 Spending in 2016-17 and 2017-18***

From the June 2017 budget plan to the June 2018 budget plan, spending increased \$252 million in 2016-17 and \$1.1 billion in 2017-18. These upward revisions are attributable mainly to higher General Fund revenue. As part of the 2017-18 increase, the state is making an additional maintenance factor payment of \$789 million (on top of a previous \$536 million payment). After making the \$1.3 billion total payment, the state will have eliminated all remaining maintenance factor for the first time since 2005-06. In both 2016-17 and 2017-18, the state is spending at the calculated minimum guarantee.

***2018-19 Spending up Notably Over Revised 2017-18 Level***

For 2018-19, total Proposition 98 spending across all segments is \$78.4 billion, an increase of \$2.8 billion (3.7%) from the revised 2017-18 level. Test 2 is the operative test in 2018-19, with the increase in the guarantee attributable to a 3.67% increase in per capita personal income. Though the administration projects a 0.29% decline in student attendance for 2018-19, the budget makes no downward adjustment to the minimum guarantee. This is because the budget assumes that attendance *increases* the previous year (in 2017-18), thereby triggering a hold harmless provision in the State Constitution that negates any attendance declines over the subsequent two years. The budget sets total Proposition 98 spending in 2018-19 equal to the administration's May Revision estimate of the minimum guarantee.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2018*

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**FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)**

**The 2018-19 State Budget (continued)**

***\$67.9 Billion Proposition 98 Spending on K-12 Education in 2018-19***

The enacted 2018-19 level is \$2.4 billion (3.6%) more than the revised 2017-18 level and \$3.2 billion (4.9%) more than the 2017-18 Budget Act level. The budget increases spending per student by \$579 (5.2%) over the 2017-18 Budget Act level, bringing Proposition 98 spending per student up to \$11,645.

***Package Includes Mix of Ongoing and One-Time Spending***

The budget includes \$5.7 billion in Proposition 98 augmentations for K-12 education across the three-year budget period. Of the \$5.7 billion, \$4 billion (70%) is ongoing and \$1.7 billion (30%) is one time. From an accounting perspective, the increase is scored across multiple fiscal years and includes settle-up and some unspent funds from prior years that have been repurposed. In addition to the Proposition 98 increase, the budget includes \$594 million in Proposition 51 bond authority for school facility projects and \$100 million in non-Proposition 98 funding for kindergarten school facilities.

***Fully Implements the Local Control Funding Formula (LCFF) for Schools, Then Further Increases Rates***

In the January budget, the Governor proposed fully implementing LCFF and reaching the target funding rates. The final budget reaches and then goes beyond full implementation. Specifically, the budget closes the gap to the target rates and funds the statutory 2.71% cost-of-living adjustment (COLA) to those rates. In addition, the budget provides nearly an extra 1 percentage point increase in the LCFF rates—effectively funding a 3.7% COLA in 2018-19. The administration estimates that the combined ongoing cost of both full implementation and the augmented COLA is \$3.7 billion. This augmentation brings total LCFF spending for school districts and charter schools to \$61.1 billion, a 6.4% increase over the revised 2017-18 level. School districts and charter schools may use LCFF monies for any educational purpose.

***Funds One-Time Discretionary Grants***

The largest one-time spending initiative for K-12 education is \$1.1 billion that local education agencies (LEAs) may use for any educational purpose. Funding is distributed based on student attendance (an estimated \$183 per average daily attendance). If an LEA owes any funding to the federal government according to a 2014 settlement over Medi-Cal billing practices, the State Controller is to deduct this obligation from the LEA's discretionary grant. The budget assumes that these Medi-Cal obligations total \$145 million statewide (though the administration believes actual payments likely will come in lower). The remainder of each LEA's discretionary grant will be scored against any outstanding mandate claims. As less than one-third of LEAs have any such claims, it is estimated that only \$202 million of the funding provided will count toward the K-12 mandates backlog. It is estimated that the total remaining mandate backlog at the end of 2018-19 will be \$668 million.

All of these factors were considered in preparing the Las Virgenes Unified School District budget for the 2018-19 fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Karen Kimmel, CPA, Assistant Superintendent of Business Services, at Las Virgenes Unified School District, 4111 N. Las Virgenes Road, Calabasas, California, 91302 or by calling (818) 878-5203.

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Statement of Net Position

June 30, 2018

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash	\$ 64,819,401	\$ 648,839	\$ 65,468,240
Accounts receivable	6,452,802	26,740	6,479,542
Inventories	144,667	32,638	177,305
Prepaid expenses	538,020	-	538,020
Non-depreciable assets	15,191,298	-	15,191,298
Depreciable assets	311,508,387	623,116	312,131,503
Less, accumulated depreciation	(118,224,748)	(497,242)	(118,721,990)
Total assets	<u>280,429,827</u>	<u>834,091</u>	<u>281,263,918</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	34,366,999	-	34,366,999
Deferred amount on refunding	1,710,397	-	1,710,397
Deferred outflow of resources OPEB	14,062	-	14,062
Total deferred outflows	<u>36,091,458</u>	<u>-</u>	<u>36,091,458</u>
<b>LIABILITIES</b>			
Accounts payable	8,350,039	210,079	8,560,118
Unearned revenue	1,689,530	-	1,689,530
Long-term liabilities			
Portion due or payable within one year	14,644,321	-	14,644,321
Portion due or payable after one year	208,659,934	-	208,659,934
Net pension liability	122,034,499	-	122,034,499
Total liabilities	<u>355,378,323</u>	<u>210,079</u>	<u>355,588,402</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	6,830,391	-	6,830,391
Deferred inflow of resources OPEB	910,868	-	910,868
Total deferred inflows	<u>7,741,259</u>	<u>-</u>	<u>7,741,259</u>
<b>NET POSITON</b>			
Net investment in capital assets	69,124,920	125,874	69,250,794
Restricted for:			
Capital projects	8,127,327	-	8,127,327
Debt service	18,514,813	-	18,514,813
Educational programs	3,093,397	-	3,093,397
Nutritional services	-	498,138	498,138
Unrestricted	(145,458,754)	-	(145,458,754)
Total net position	<u>\$ (46,598,297)</u>	<u>\$ 624,012</u>	<u>\$ (45,974,285)</u>

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Statement of Activities*  
*For the Fiscal Year Ended June 30, 2018*

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>						
Instructional Services:						
Instruction	\$ 86,372,530	\$ 176,347	\$ 10,689,293	\$ (75,506,890)	\$ -	\$ (75,506,890)
Instruction-Related Services:						
Supervision of instruction	3,041,686	4,857	536,827	(2,500,002)	-	(2,500,002)
Instructional library, media and technology	880,593	-	5,801	(874,792)	-	(874,792)
School site administration	8,949,026	-	108,656	(8,840,370)	-	(8,840,370)
Pupil Support Services:						
Home-to-school transportation	2,393,608	9,185	491,253	(1,893,170)	-	(1,893,170)
All other pupil services	7,126,057	22,717	1,432,659	(5,670,681)	-	(5,670,681)
General Administration Services:						
Data processing services	2,599,492	1,365	2,933	(2,595,194)	-	(2,595,194)
Other general administration	6,781,960	4,418	299,229	(6,478,313)	-	(6,478,313)
Plant services	12,060,800	116,784	1,006,786	(10,937,230)	-	(10,937,230)
Ancillary services	1,071,011	-	3,087	(1,067,924)	-	(1,067,924)
Interest on long-term debt	10,202,052	-	-	(10,202,052)	-	(10,202,052)
Other outgo	800,496	840,903	1,962,081	2,002,488	-	2,002,488
Total Governmental Activities	142,279,311	1,176,576	16,538,605	(124,564,130)	-	(124,564,130)
<b>Business-Type Activities:</b>						
Food Services	2,059,123	1,504,679	495,298	-	(59,146)	(59,146)
Total Business-Type Activities	2,059,123	1,504,679	495,298	-	(59,146)	(59,146)
Total	\$ 144,338,434	\$ 2,681,255	\$ 17,033,903	(124,564,130)	(59,146)	(124,623,276)
<b>General Revenues:</b>						
Property taxes				69,886,714	-	69,886,714
Federal and state aid not restricted to specific purpose				44,331,746	-	44,331,746
Interest and investment earnings				591,483	9,318	600,801
Miscellaneous				6,797,420	-	6,797,420
Total general revenues				121,607,363	9,318	121,616,681
Change in net position				(2,956,767)	(49,828)	(3,006,595)
Net position - July 1, 2017, as originally stated				(31,805,355)	673,840	(31,131,515)
Restatement - change in accounting principle (Note 1.1.)				(11,836,175)	-	(11,836,175)
Net position - July 1, 2017, restated				(43,641,530)	673,840	(42,967,690)
Net position - June 30, 2018				\$ (46,598,297)	\$ 624,012	\$ (45,974,285)

**LAS VIRGENES UNIFIED SCHOOL DISTRICT***Balance Sheet – Governmental Funds**June 30, 2018*

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	General Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 31,286,657	\$ 8,091,234	\$ 18,514,813	\$ 6,112,496	\$ 64,005,200
Accounts receivable	5,637,507	36,093	-	32,043	5,705,643
Inventories	144,667	-	-	-	144,667
Prepaid expenditures	538,020	-	-	-	538,020
Total Assets	<u>\$ 37,606,851</u>	<u>\$ 8,127,327</u>	<u>\$ 18,514,813</u>	<u>\$ 6,144,539</u>	<u>\$ 70,393,530</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 6,481,558	\$ -	\$ -	\$ 890,885	\$ 7,372,443
Unearned revenue	1,689,530	-	-	-	1,689,530
Total Liabilities	<u>8,171,088</u>	<u>-</u>	<u>-</u>	<u>890,885</u>	<u>9,061,973</u>
<b>Fund Balances</b>					
Nonspendable	709,287	-	-	-	709,287
Restricted	3,093,397	8,127,327	18,514,813	4,967,551	34,703,088
Committed	5,788,684	-	-	286,103	6,074,787
Assigned	986,170	-	-	-	986,170
Unassigned	18,858,225	-	-	-	18,858,225
Total Fund Balances	<u>29,435,763</u>	<u>8,127,327</u>	<u>18,514,813</u>	<u>5,253,654</u>	<u>61,331,557</u>
Total Liabilities and Fund Balances	<u>\$ 37,606,851</u>	<u>\$ 8,127,327</u>	<u>\$ 18,514,813</u>	<u>\$ 6,144,539</u>	<u>\$ 70,393,530</u>

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2018*

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<b>Total fund balances - governmental funds</b>		\$ 61,331,557
Amounts reported for governmental <i>activities</i> in the statement of net position are different because capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$326,699,685, and the accumulated depreciation is (\$118,224,748).		208,474,937
In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postemployment benefits costs are recognized in the period that they are incurred. The net OPEB liability at the end of the period was:		(25,156,372)
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(977,596)
In governmental funds, interest subsidies received from Build America Bonds (BABs) are recognized in the period that they are received. In the government-wide statements, they are recognized in the period that they are earned. The federal interest subsidies included in accounts receivable in the government-wide statements were:		742,767
In the government-wide statements funds deferred amounts on refunding are recognized as a deferred outflow of resources and amortized over the life of the defeased debt. Unamortized deferred amounts included on the statement of net position are:		1,710,397
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
	General obligation bonds payable	186,147,640
	Certificates of participation payable	10,825,617
	Compensated absences payable	915,676
	Supplementary retirement plan	258,950
		(198,147,883)
In governmental funds, deferred outflows and inflows of resources relating to pension and other postemployment benefits (OPEB) are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions and OPEB are reported. The deferred inflows and outflows for the period were:		
	Deferred outflows of resources	34,381,061
	Deferred inflows of resources	(7,741,259)
The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements		(122,034,499)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service fund is:		818,593
<b>Total net position - governmental activities</b>		<u>\$ (46,598,297)</u>

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
For the Fiscal Year Ended June 30, 2018*

	General Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Fund	Total Governmental Funds
<b>REVENUES</b>					
LCFF sources	\$ 90,863,144	\$ -	\$ -	\$ -	\$ 90,863,144
Federal sources	3,750,211	-	1,782,640	-	5,532,851
Other state sources	17,088,906	-	66,009	-	17,154,915
Other local sources	11,039,239	1,188,332	16,827,654	107,498	29,162,723
Total Revenues	122,741,500	1,188,332	18,676,303	107,498	142,713,633
<b>EXPENDITURES</b>					
Current:					
Instruction	79,099,245	-	-	-	79,099,245
Instruction-Related Services:					
Supervision of instruction	3,026,500	-	-	-	3,026,500
Instructional library, media and technology	831,940	-	-	-	831,940
School site administration	8,589,468	-	-	-	8,589,468
Pupil Support Services:					
Home-to-school transportation	2,388,309	-	-	-	2,388,309
All other pupil services	7,181,614	-	-	-	7,181,614
Ancillary Services	1,034,928	-	-	-	1,034,928
General Administration Services:					
Data processing services	2,529,721	-	-	-	2,529,721
Other general administration	5,420,060	34,126	-	-	5,454,186
Transfers of Indirect Costs	(54,370)	-	-	-	(54,370)
Plant Services	10,254,402	-	-	450,253	10,704,655
Capital Outlay	802,453	33,689	-	3,112,393	3,948,535
Intergovernmental Transfers	800,496	-	-	-	800,496
Debt Service:					
Principal	-	409,906	7,215,212	-	7,625,118
Interest	200,000	154,031	10,551,197	-	10,905,228
Total Expenditures	122,104,766	631,752	17,766,409	3,562,646	144,065,573
Excess (Deficiency) of Revenues Over (Under) Expenditures	636,734	556,580	909,894	(3,455,148)	(1,351,940)
<b>OTHER FINANCING SOURCES (USES)</b>					
Interfund transfers in	-	-	-	850,000	850,000
Interfund transfers out	(850,000)	-	-	-	(850,000)
Total Other Financing Sources and Uses	(850,000)	-	-	850,000	-
Net Change in Fund Balances	(213,266)	556,580	909,894	(2,605,148)	(1,351,940)
Fund Balances, July 1, 2017	29,649,029	7,570,747	17,604,919	7,858,802	62,683,497
Fund Balances, June 30, 2018	\$ 29,435,763	\$ 8,127,327	\$ 18,514,813	\$ 5,253,654	\$ 61,331,557

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities  
For the Fiscal Year Ended June 30, 2018*

**Total net change in fund balances - governmental funds** \$ (1,351,940)

Amounts reported for governmental *activities* in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	3,582,925	
Depreciation expense	<u>(8,467,315)</u>	(4,884,390)

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 7,625,118

In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postemployment benefits costs are recognized on the accrual basis. The difference between current year charges and current year amortization is: (1,011,908)

In governmental funds, if debt is issued at a premium or a discount it is recognized as an other financing source or use in the period it is incurred. In the government-wide statements, the premium and discount are amortized over the life of the debt. Amortization of premiums and discounts for the period were: 507,167

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In the government-wide statements, however, this is recorded as interest expense for the period. Accreted interest additions less accreted interest paid during the year was: (471,344)

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of payment for refunded bonds which have been defeased. In the governmental funds these charges are recognized as an expenditure. However, in the statement of activities these amounts are amortized over the life of the refunded debt. The difference between current year charges and current year amortization is: (149,683)

In governmental funds, pension costs are recognized when employer contributions are made. In the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (4,349,540)

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: 817,036

In governmental funds, interest subsidies received from Build America Bonds (BABs) and Qualified School Construction Bonds (QSCBs) are recognized in the period that they are received. In the government-wide statements, they are recognized in the period that they are earned. The federal interest accrued at the end of the period, less the interest received during the period but earned from the prior period was: (88,002)

In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. Examples include special termination benefits such as retirement incentives financed over time. This year, such liabilities increased by: 177,050

In the statement of activities, compensated absences are measured by the amounts *earned* during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually *paid*.) 15,375

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was: 208,294

**Change in net position of governmental activities** \$ (2,956,767)

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Statement of Net Position - Proprietary Funds*  
*June 30, 2018*

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	Governmental Activities: Internal Service Self-Insurance Fund	Business-Type Activities: Enterprise Fund Food Services
<b>ASSETS</b>		
Cash	\$ 814,201	\$ 648,839
Accounts receivable	4,392	26,740
Stores inventories	-	32,638
Capital assets	-	623,116
Less, accumulated depreciation	-	(497,242)
Total assets	<u>818,593</u>	<u>834,091</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	-	210,079
Total liabilities	<u>-</u>	<u>210,079</u>
<b>NET POSITION</b>		
Net investment in capital assets	-	125,874
Restricted	<u>818,593</u>	<u>498,138</u>
Total net position	<u>\$ 818,593</u>	<u>\$ 624,012</u>

**LAS VIRGENES UNIFIED SCHOOL DISTRICT***Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds  
For the Fiscal Year Ended June 30, 2018*

	Governmental Activities: Internal Service Self-Insurance Fund	Business-Type Activities: Enterprise Fund Food Services
<b>OPERATING REVENUES</b>		
Charges for services	\$ 200,207	\$ 1,504,679
Federal grants	-	471,825
Other grants	-	23,473
Total operating revenues	200,207	1,999,977
<b>OPERATING EXPENSES</b>		
Classified salaries	-	849,354
Employee benefits	-	326,994
Books and supplies	-	743,758
Services and other operating expenditures	2,633	57,524
Transfers of indirect costs	-	54,370
Depreciation	-	27,123
Total operating expenses	2,633	2,059,123
Operating income (loss)	197,574	(59,146)
<b>NON-OPERATING REVENUES</b>		
Interest income	10,720	9,318
Change in net position	208,294	(49,828)
Net position, July 1, 2017	610,299	673,840
Net position, June 30, 2018	\$ 818,593	\$ 624,012

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Statement of Cash Flows – Proprietary Funds*  
*For the Fiscal Year Ended June 30, 2018*

	Governmental Activities: Internal Service Self-Insurance Fund	Business-Type Activities: Enterprise Fund Food Services
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from operations	\$ -	\$ 2,039,536
Self insurance premiums	200,207	-
Cash paid for operating expenses	<u>(2,633)</u>	<u>(1,990,851)</u>
Net cash provided (used) by operating activities	<u>197,574</u>	<u>48,685</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash paid to acquire capital assets	-	(93,734)
Interest on investments	<u>9,264</u>	<u>11,837</u>
Net cash provided (used) by investing activities	<u>9,264</u>	<u>(81,897)</u>
Net increase in cash	206,838	(33,212)
Cash, July 1, 2017	<u>607,363</u>	<u>682,051</u>
Cash, June 30, 2018	<u>\$ 814,201</u>	<u>\$ 648,839</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 197,574	\$ (59,146)
Adjustments to reconcile operating income(loss) to net cash provided (used) by operating activities:		
Depreciation	-	27,123
Changes in assets and liabilities:		
Decrease in accounts receivable	-	39,559
Decrease in stores inventories	-	2,335
Decrease in prepaids	-	5,715
Increase in accounts payable	<u>-</u>	<u>33,099</u>
Net cash provided (used) by operating activities	<u>\$ 197,574</u>	<u>\$ 48,685</u>

**NONCASH, NONCAPITAL FINANCING ACTIVITIES**

During the year, the District received \$94,681 of food commodities from the U.S. Department of Agriculture.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT***Statement of Fiduciary Net Position**June 30, 2018*

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	Agency Funds		Total
	Payroll Clearance Fund	Student Body Funds	
<b>Assets</b>			
Cash	\$ 655,427	\$ 1,098,396	\$ 1,753,823
Inventories	-	22,889	22,889
<b>Total Assets</b>	<b>\$ 655,427</b>	<b>\$ 1,121,285</b>	<b>\$ 1,776,712</b>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 1,088	\$ 1,088
Due to student groups	-	1,120,197	1,120,197
Due to regulatory agencies	655,427	-	655,427
<b>Total Liabilities</b>	<b>\$ 655,427</b>	<b>\$ 1,121,285</b>	<b>\$ 1,776,712</b>

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Las Virgenes Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

#### A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District has identified no organizations that are required to be reported as component units.

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

##### 1. Basis of Presentation

###### Government-Wide Financial Statements

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

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

###### Fund Financial Statements

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

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

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

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

##### 1. Basis of Presentation (continued)

###### **Fund Financial Statements (continued)**

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

###### **Major Governmental Funds**

The District maintains the following major governmental funds:

**General Fund:** This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

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

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

###### **Non-Major Governmental Funds**

The District maintains the following non-major governmental funds:

###### **Special Revenue Funds:**

**Deferred Maintenance Fund:** This fund is used to account for resources committed to major repair or replacement of District property.

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

###### **Proprietary Funds**

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

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

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

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

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

##### 1. Basis of Presentation (continued)

###### Proprietary Funds (continued)

**Enterprise Funds:** These funds are used to account for any activity for which a fee is charged to external users for goods or services. An enterprise fund must be used if the District's policy is to establish activity fees or charges designed to recover the cost of providing services. The District maintains one enterprise fund:

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

###### Fiduciary Funds

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

**Agency Funds:** These funds are used to account for assets of others for which the District acts as an agent. The "due to regulatory agencies" account within the payroll clearing fund is used to record dedicated funds for payroll and related expenses. The District also maintains student body funds, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District that maintain a student body fund.

##### 2. Measurement Focus, Basis of Accounting

###### Government-Wide, Proprietary, and Fiduciary Fund Financial Statements

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

###### Governmental Fund Financial Statements

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

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

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

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

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

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

#### C. Budgetary Data

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

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

#### D. Encumbrances

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

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2018*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**1. Cash and Cash Equivalents**

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

**2. Inventories**

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

**3. Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

**4. 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 combined balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements 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.

**5. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

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

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

##### 5. Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

##### 6. Compensated Absences

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

##### 7. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Las Virgenes Unified School District Retiree Benefits Plan (“the Plan”) and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

##### 8. 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 District’s California State Teachers Retirement System (CalSTRS) and California Public Employees’ Retirement System (CalPERS) plans and addition 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. Investments are reported at fair value.

##### 9. Fund Balances

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

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

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

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

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

##### 9. Fund Balances (continued)

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

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

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

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

##### 10. Net Position

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

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

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

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

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

#### F. Minimum Fund Balance Policy

The District has adopted a minimum fund balance policy, which states that the Board intends to maintain a minimum fund balance of 3% of the District's general fund annual operating expenditures. If a fund balance drops below 3%, it shall be recovered at a rate of .5% minimally, each year.

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.

#### G. Property Tax Calendar

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

#### H. Use of Estimates

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

#### I. New GASB Pronouncements

During the 2017-18 fiscal year, the following GASB Pronouncements became effective:

1. In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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.

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

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

#### I. New GASB Pronouncements (continued)

2. In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.
3. In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:
  - Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
  - Reporting amounts previously reported as goodwill and “negative” goodwill
  - Classifying real estate held by insurance entities
  - Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
  - Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
  - Recognizing on-behalf payments for pensions or OPEB in employer financial statements
  - Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
  - Classifying employer-paid member contributions for OPEB
  - Simplifying certain aspects of the alternative measurement method for OPEB
  - Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.
4. In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

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### NOTE 2 – CASH

Cash at June 30, 2018, is reported at fair value and consisted of the following:

	Governmental Activities		Total Governmental	Business Type Activities:	
	Governmental Funds	Internal Service Fund		Enterprise Fund	Fiduciary Funds
Pooled Funds:					
Cash in county treasury	\$ 63,682,370	\$ 814,201	\$ 64,496,571	\$ 524,278	\$ 655,427
Deposits:					
Cash on hand and in banks	296,230	-	296,230	120,686	1,098,396
Cash in revolving fund	26,600	-	26,600	3,875	-
Total Deposits	322,830	-	322,830	124,561	1,098,396
Total Cash	<u>\$ 64,005,200</u>	<u>\$ 814,201</u>	<u>\$ 64,819,401</u>	<u>\$ 648,839</u>	<u>\$ 1,753,823</u>

#### Pooled Funds

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

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

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2018, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

#### Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2018, \$1,190,128 of the District's bank balance was exposed to custodial credit risk because it was uninsured. However, the entire bank balance was collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

### NOTE 2 – CASH (continued)

#### Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 – Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that date if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized – Investments in the Los Angeles County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

### NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2018, consisted of the following:

	Governmental Funds			Totals	Internal Service Fund	Enterprise Fund
	General Fund	Capital Facilities Fund	Non-Major Governmental Funds		Self-Insurance Fund	Food Services
Federal Government:						
Categorical aid programs	\$ 2,628,063	\$ -	\$ -	\$ 2,628,063	\$ -	\$ 19,311
State Government:						
LCFF	564,397	-	-	564,397	-	-
Lottery	486,792	-	-	486,792	-	-
Categorical aid programs	893,479	-	-	893,479	-	1,198
Other state resources	17,025	-	-	17,025	-	-
Local:						
Interest	155,414	36,093	32,043	223,550	4,392	6,231
Other local resources	892,337	-	-	892,337	-	-
Total	\$ 5,637,507	\$ 36,093	\$ 32,043	\$ 5,705,643	\$ 4,392	\$ 26,740

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

### NOTE 4 – INTERFUND TRANSACTIONS

#### Transfers To/From Other Funds

Transfers to/from other funds at June 30, 2018, consisted of the following:

General Fund transfer to Deferred Maintenance Fund for deferred maintenance match	<u>\$ 850,000</u>
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### NOTE 5 – FUND BALANCES

At June 30, 2018, fund balances of the District’s governmental funds were classified as follows:

	General Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Fund	Total
Nonspendable:					
Revolving cash	\$ 26,600	\$ -	\$ -	\$ -	\$ 26,600
Stores inventories	144,667	-	-	-	144,667
Prepaid expenditures	538,020	-	-	-	538,020
Total Nonspendable	<u>709,287</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>709,287</u>
Restricted:					
Categorical programs	3,093,397	-	-	-	3,093,397
Capital projects	-	8,127,327	-	4,967,551	13,094,878
Debt service	-	-	18,514,813	-	18,514,813
Total Restricted	<u>3,093,397</u>	<u>8,127,327</u>	<u>18,514,813</u>	<u>4,967,551</u>	<u>34,703,088</u>
Committed:					
Early retirement incentive	258,950	-	-	-	258,950
Classified vacation accrual	915,676	-	-	-	915,676
Parcel tax reserve	69,058	-	-	-	69,058
PERS/STRS retirement increase	4,545,000	-	-	-	4,545,000
Deferred maintenance program	-	-	-	286,103	286,103
Total Committed	<u>5,788,684</u>	<u>-</u>	<u>-</u>	<u>286,103</u>	<u>6,074,787</u>
Assigned:					
School site carryover	462,170	-	-	-	462,170
Financial software upgrade	524,000	-	-	-	524,000
Total Assigned	<u>986,170</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>986,170</u>
Unassigned:					
Reserve for economic uncertainties	3,561,750	-	-	-	3,561,750
Remaining unassigned balances	15,296,475	-	-	-	15,296,475
Total Unassigned	<u>18,858,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,858,225</u>
Total	<u>\$ 29,435,763</u>	<u>\$ 8,127,327</u>	<u>\$ 18,514,813</u>	<u>\$ 5,253,654</u>	<u>\$ 61,331,557</u>

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

### NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance, July 1, 2017	Additions	Retirements	Balance, June 30, 2018
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 14,853,507	\$ -	\$ -	\$ 14,853,507
Construction in progress	330,036	337,791	330,036	337,791
Total capital assets not being depreciated	<u>15,183,543</u>	<u>337,791</u>	<u>330,036</u>	<u>15,191,298</u>
Capital assets being depreciated:				
Land Improvements	16,403,675	-	-	16,403,675
Infrastructure	90,000	-	-	90,000
Buildings and Improvements	278,755,159	3,331,098	-	282,086,257
Equipment	12,684,383	244,072	-	12,928,455
Total capital assets being depreciated	<u>307,933,217</u>	<u>3,575,170</u>	<u>-</u>	<u>311,508,387</u>
Accumulated depreciation for:				
Land Improvements	(12,048,475)	(525,165)	-	(12,573,640)
Infrastructure	(90,000)	-	-	(90,000)
Buildings and Improvements	(86,678,403)	(7,385,093)	-	(94,063,496)
Equipment	(10,940,555)	(557,057)	-	(11,497,612)
Total accumulated depreciation	<u>(109,757,433)</u>	<u>(8,467,315)</u>	<u>-</u>	<u>(118,224,748)</u>
Total capital assets being depreciated, net	<u>198,175,784</u>	<u>(4,892,145)</u>	<u>-</u>	<u>193,283,639</u>
Governmental activities capital assets, net	<u>\$ 213,359,327</u>	<u>\$ (4,554,354)</u>	<u>\$ 330,036</u>	<u>\$ 208,474,937</u>
<b>Business-Type Activities</b>				
Capital assets being depreciated:				
Equipment	\$ 529,382	\$ 93,734	\$ -	\$ 623,116
Accumulated depreciation for:				
Equipment	(470,119)	(27,123)	-	(497,242)
Business-Type activities capital assets, net	<u>\$ 59,263</u>	<u>\$ 66,611</u>	<u>\$ -</u>	<u>\$ 125,874</u>

Depreciation expense is allocated to the following functions on the statement of activities:

<b>Governmental Activities:</b>	
Instruction	\$ 7,959,276
All other general administration	465,702
Plant services	42,337
Total governmental activities depreciation expense	<u>\$ 8,467,315</u>
<b>Business-Type Activities:</b>	
Food services	<u>\$ 27,123</u>
Total depreciation expense	<u>\$ 8,494,438</u>

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

### NOTE 7 – GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2018, were as follows:

	Balance, July 1, 2017	Additions	Deductions	Balance, June 30, 2018	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	\$ 133,461,690	\$ -	\$ 7,215,212	\$ 126,246,478	\$ 8,253,746
Accreted interest component	52,184,345	5,896,131	5,424,787	52,655,689	5,331,255
Unamortized issuance premium	7,752,640	-	507,167	7,245,473	507,167
Total - General Obligation Bonds	<u>193,398,675</u>	<u>5,896,131</u>	<u>13,147,166</u>	<u>186,147,640</u>	<u>14,092,168</u>
Certificates of Participation	11,235,523	-	409,906	10,825,617	420,424
Compensated Absences	931,051	-	15,375	915,676	-
Supplemental Early Retirement	436,000	-	177,050	258,950	131,729
Other Postemployment Benefits	25,041,270	2,065,963	1,950,861	25,156,372	-
Net Pension Liability*	105,712,483	16,322,016	-	122,034,499	-
Totals	<u>\$ 336,755,002</u>	<u>\$ 24,284,110</u>	<u>\$ 15,700,358</u>	<u>\$ 345,338,754</u>	<u>\$ 14,644,321</u>

\*See Note 11 for detailed information regarding the Net Pension Liability.

Note: Beginning balance of Other Postemployment Benefits liability has been restated due to the implementation of GASB Statement No. 75.

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Certificates of participation payments are made by the General and Capital Facilities Funds. Accumulated vacation, the supplemental early retirement, and other employment benefits will be paid for by the fund for which the employee worked.

#### A. General Obligation Bonds

##### 1997 Election

The District authorized bonds at a regularly scheduled election of the registered voters of the District held on November 4, 1997, at which more than two-thirds of the voters authorized the issuance and sale of \$30.0 million of general obligation bonds to finance the construction and modernization of school facilities.

##### 2006 Election

The District authorized bonds at a regularly scheduled election of the registered voters of the District held on June 6, 2006, at which more than 55% of the voters authorized the issuance and sale of \$128.0 million of general obligation bonds to finance the construction and modernization of school facilities.

A portion of the bonds is designated "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"). Pursuant to the Recovery Act, the District expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Bonds on or about each interest payment date. The cash payment does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the Treasury under the Recovery Act. The District is obligated to deposit any cash subsidy payments it receives into the debt service fund for the Bonds. Another portion of the bonds is designated as "Qualified School Construction Bonds" for purposes of the Recovery Act.

With respect to the bonds, the District expects to receive, on or about each bond payment date for the bonds, a cash subsidy payment from the United States Treasury equal to the lesser of a) the interest payable on such bond payment date or b) the amount of interest that would have been payable on such bond payment date on such bonds if such interest were determined at a federal tax credit rate applicable to the bonds, which Tax Credit Rate is published by the Treasury and determined under Section 54A(b)(3) of the Code.

## LAS VIRGENES UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2018

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

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

###### 2006 Election (continued)

Prior to each such bond payment date for the bonds, the District will submit or cause to be submitted to the Treasury a subsidy reimbursement request in accordance with applicable Federal regulations.

###### 2013 Refunding

On January 10, 2013, the District issued \$9,630,000 of General Obligation Refunding Bonds. The Bonds consist of serial bonds bearing fixed rates ranging from 0.588 to 2.365 percent with annual maturities from November 2013 through November 2019. The net proceeds of \$9,438,029 (after issuance costs and underwriter's discount of \$191,971) were used to refund a portion of the Series 2004 Refunding General Obligation Bonds. Deferred amounts on refunding of \$18,863 remain to be amortized. As of June 30, 2018, the principal balance outstanding on the defeased debt has been fully repaid.

###### 2014 Refunding

On October 29, 2014, the District issued \$27,255,000 of General Obligation Refunding Bonds. The Bonds consist of serial bonds bearing fixed rates ranging from 3.0 to 5.0 percent with annual maturities from August 2015 through August 2031. The net proceeds of \$31,542,630 (after issuance costs and underwriter's discount of \$309,987) were used to refund a portion of the Series 2006A General Obligation Bonds.

The net proceeds of both refundings were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net assets and are amortized to interest expense over the life of the liability. Deferred amounts on refunding of \$1,002,701 remain to be amortized. As of June 30, 2018, the principal balance outstanding on the defeased debt has been fully repaid.

###### 2016 General Obligation Refunding Bonds

On December 6, 2016, the District issued \$39,610,000 of General Obligation Refunding Bonds. The bonds bear fixed interest rates ranging between 2.75% and 4.0% with annual maturities from August 1, 2020 through August 1, 2034. The net proceeds of \$41,651,500 (after premiums of \$2,391,917 and issuance costs of \$350,417) were used to advance refund, on a crossover basis, a portion of the District's outstanding Election of 2006 General Obligation Bonds, Series B-1 and pay the costs of issuance.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2018 of \$68,306 remain to be amortized. As of June 30, 2018, the principal balance outstanding on the defeased debt amounted to \$39,000,000. The refunding decreased the District's total debt service payments by \$6,703,821. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$5,057,210.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2018

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

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

The outstanding bonded debt at June 30, 2018, was as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2017	Additions	Deductions	Balance, June 30, 2018	
<b>Measure R (1997)</b>									
Series A	2/24/1998	11/1/2022	3.65%-5.15%	\$ 29,999,130	\$ 4,255,732	\$ -	806,684	\$ 3,449,048	
Series B	8/11/1999	11/1/2023	4.85%-5.68%	9,374,387	4,575,497	-	639,540	3,935,957	
Series C	3/21/2001	11/1/2025	4.05%-5.44%	18,492,813	2,471,316	-	252,561	2,218,755	
Series D	10/17/2002	9/1/2027	2.00%-5.20%	32,627,309	20,381,995	-	1,302,939	19,079,056	
Sub-total Measure R				90,493,639	31,684,540	-	3,001,724	28,682,816	
<b>Measure G (2006)</b>									
2006 A	11/30/2006	8/1/2031	3.50%-5.0%	44,566,153	331,153	-	331,153	-	
2006 B	12/22/2009	8/1/2034	3.000%-7.262%	42,996,222	3,656,222	-	447,335	3,208,887	
2006 C	5/19/2011	8/1/2033	5.006%-6.750%	29,998,274	24,023,274	-	1,555,000	22,468,274	
Sub-total Measure G				117,560,649	28,010,649	-	2,333,488	25,677,161	
<b>Refunding Bonds</b>									
2004 Ref.	8/4/2004	11/1/2021	1.50%-5.18%	14,471,501	886,501	-	-	886,501	
2013 Ref.	1/10/2013	11/1/2019	0.588%-2.365%	9,630,000	6,455,000	-	1,880,000	4,575,000	
2014 Ref.	10/29/2014	8/1/2031	3.00%-5.00%	27,255,000	26,815,000	-	-	26,815,000	
2016 Ref.	12/6/2016	8/1/2034	2.750%-4.00%	39,610,000	39,610,000	-	-	39,610,000	
Sub-total Refunding Bonds				90,966,501	73,766,501	-	1,880,000	71,886,501	
					<u>\$ 133,461,690</u>	<u>\$ -</u>	<u>\$ 7,215,212</u>	<u>\$ 126,246,478</u>	
<b>Accreted Interest Component</b>									
					1997 A	\$ 7,082,210	\$ 537,599	\$ 1,388,316	\$ 6,231,494
					1997 B	7,941,635	679,555	1,160,460	7,460,730
					1997 C	4,584,370	451,383	472,439	4,563,314
					1997 D	21,722,301	2,122,100	1,267,061	22,577,340
					2004 Ref.	2,820,685	440,539	-	3,261,224
					2006 A	463,856	34,990	498,846	-
					2006 B	4,710,237	968,268	637,665	5,040,840
					2006 C	2,859,051	661,697	-	3,520,748
						<u>\$ 52,184,345</u>	<u>\$ 5,896,131</u>	<u>\$ 5,424,787</u>	<u>\$ 52,655,689</u>

The annual requirements to amortize general obligation bonds payable are as follows:

Fiscal Year	Principal	Interest	Total
2018-19	\$ 8,253,746	\$ 11,700,817	\$ 19,954,563
2019-20	8,651,658	12,114,079	20,765,737
2020-21	7,023,133	15,017,808	22,040,941
2021-22	7,196,944	15,591,046	22,787,990
2022-23	7,018,388	13,645,542	20,663,930
2023-28	33,153,595	71,895,258	105,048,853
2028-33	36,259,796	16,527,166	52,786,962
2033-35	18,689,218	2,627,050	21,316,268
Total	<u>\$ 126,246,478</u>	<u>\$ 159,118,766</u>	<u>\$ 285,365,244</u>

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

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

#### B. Certificates of Participation

On July 3, 2003, the District issued the 2003 Certificates of Participation in the amount of \$20,000,000. During the 2007-2008 fiscal year, the District issued the 2008 Refunding Certificates of Participation to refinance the 2003 Certificates of Participation. The 2008 Refunding Certificates of Participation mature in the 2037-2038 fiscal year and carry interest rates ranging from 3.0 percent to 5.0 percent.

#### 2017 Certificates of Participation Refunding Lease/Purchase Agreement

On January 19, 2017, the District entered into a \$11,685,780 of Certificates of Participation Refunding lease/purchase agreement. The certificates bear a fixed interest rate of 3.18% with semi-annual maturities from May 1, 2017 through November 1, 2036. The net proceeds of \$11,500,779 (after issuance costs of \$185,001) were used to refinance the District's outstanding 2008 Refunding Certificates of Participation and pay the costs of issuance.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded certificates. As a result, the refunded certificates are considered to be defeased, and the related liability for the certificates has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2018 of \$620,527 remain to be amortized. As of June 30, 2018, the principal balance outstanding on the defeased debt amounted to \$10,875,000.

The refunding decreased the District's total debt service payments by \$1,817,667. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$1,090,504.

Fiscal Year	Principal	Interest	Total
2018-19	\$ 420,424	\$ 340,912	\$ 761,336
2019-20	435,917	327,420	763,337
2020-21	451,301	313,435	764,736
2021-22	465,680	298,969	764,649
2022-23	479,690	284,049	763,739
2023-28	2,638,821	1,179,625	3,818,446
2028-33	3,084,696	728,816	3,813,512
2033-35	2,849,088	201,883	3,050,971
Total	\$ 10,825,617	\$ 3,675,109	\$ 14,500,726

#### C. Supplemental Early Retirement Plans

##### 2011 SERP

The District offered a supplemental early retirement plan during the 2010-11 year, whereby certain eligible employees are provided an annuity through Mid-America Administrative and Retirement Solution to supplement the retirement benefits they are entitled to through the California State Teachers' Retirement System (CalSTRS). Under the plan, eligible employees are those certificated non-management employees who are STRS eligible and have provided a minimum of ten years of service in the District. Twenty-nine employees retired and elected to receive this annuity.

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

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

#### C. Supplemental Early Retirement Plans (continued)

##### 2015 SERP

The District offered a voluntary early retirement incentive, which was available to all certificated LVEA unit members who have served 15 years as employees of the District, are at least age 60 at the age of retirement, and eligible to retire under STRS or PERS, with an effective retirement date on or before June 30, 2016. The District agrees to provide those who qualify with an annual payment of \$4,600 and the District will also contribute the required minimum monthly contribution for retirees for health insurance. As of June 30, 2018, 33 employees retired and elected to participate in the plan.

The outstanding liability for all SERPs at June 30, 2018, amounted to \$258,950. The supplemental early retirement plan has the following required payments:

Fiscal Year	Total Payment
2018-19	\$ 131,729
2019-20	80,950
2020-21	23,135
2021-22	23,136
Total	<u>\$ 258,950</u>

### NOTE 8 – JOINT POWERS AGREEMENTS

The Las Virgenes Unified School District participates in two joint powers agreement (JPA) entities: Alliance of Schools for Cooperative Insurance Programs (ASCIP) and Schools Linked for Insurance Management (SLIM). The JPAs arrange for and provide property and liability insurance, workers' compensation insurance and health benefits insurance for their member school districts. The Las Virgenes Unified School District pays a premium commensurate with the level of coverage requested.

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the Las Virgenes Unified School District beyond the District's representation on the governing boards.

The following condensed audited financial information is presented for informational purposes only:

	ASCIP June 30, 2017	SLIM June 30, 2017
Assets	\$ 432,804,369	\$ 13,184,328
Deferred Outflows	1,683,588	-
Liabilities	(239,767,762)	(10,271,489)
Deferred Inflows	(604,583)	-
Net Position	<u>\$ 194,115,612</u>	<u>\$ 2,912,839</u>
Revenues	\$ 269,417,583	\$ 14,032,650
Expenses	262,183,364	13,864,219
Operating Income	7,234,219	168,431
Non-Operating Income	2,066,741	137,577
Change in Net Position	<u>\$ 9,300,960</u>	<u>\$ 306,008</u>

## **LAS VIRGENES UNIFIED SCHOOL DISTRICT**

### *Notes to Financial Statements*

*June 30, 2018*

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#### **NOTE 8 – JOINT POWERS AGREEMENTS (continued)**

Each JPA is independently accountable for its fiscal matters and maintains its own accounting records. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA. The relationships between the Las Virgenes Unified School District and the JPAs are such that no JPA is a component unit of the Las Virgenes Unified School District for financial reporting purposes.

#### **NOTE 9 – COMMITMENTS AND CONTINGENCIES**

##### **A. State and Federal Allowances, Awards, and Grants**

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

##### **B. Construction Commitments**

As of June 30, 2018, the District had commitments with respect to unfinished capital projects of approximately \$9.0 million.

##### **C. Litigation**

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2018.

#### **NOTE 10 – RISK MANAGEMENT**

##### **Description**

The District's risk management activities are recorded in the General Fund. Employee life, health, and disability programs are administered by the General Fund through the purchase of commercial insurance. The District participates in various public entity risk pools (JPAs) for the workers' compensation programs and health and welfare benefits. Refer to Note 8 for additional information regarding the JPAs.

During fiscal year ending June 30, 2018, the District participated in Self-Insured Schools of California (SISC III) public entity risk pools for dental insurance coverage. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

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### NOTE 11 – PENSION PLANS

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

For the fiscal year ended June 30, 2018, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 87,920,393	\$ 24,016,378	\$ 5,299,480	\$ 9,496,567
CalPERS	34,114,106	10,350,621	1,530,911	6,148,250
Total	<u>\$ 122,034,499</u>	<u>\$ 34,366,999</u>	<u>\$ 6,830,391</u>	<u>\$ 15,644,817</u>

The details of each plan are as follows:

#### A. 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, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly 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% 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.

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

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### NOTE 11 – PENSION PLANS (continued)

#### A. California State Teachers' Retirement System (CalSTRS) (continued)

##### Benefits Provided (continued)

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

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<b>STRP Defined Benefit Program</b>	
	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	10.25%	9.205%
Required Employer Contribution Rate	14.43%	14.43%
Required State Contribution Rate	9.328%	9.328%

##### 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% of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were \$7,402,961.

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

At June 30, 2018, 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	\$ 87,920,393
State's proportionate share of the net pension liability associated with the District	20,532,807
Total	<u>\$ 108,453,200</u>

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

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### NOTE 11 – PENSION PLANS (continued)

#### A. California State Teachers' Retirement System (CalSTRS) (continued)

##### **Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

The net pension liability was measured as of June 30, 2017. 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. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.095% and 0.094%, resulting in a net increase in the proportionate share of .001%.

For the year ended June 30, 2018, the District recognized pension expense of \$9,496,567. In addition, the District recognized pension expense and revenue of \$926,879 for support provided by the State. At June 30, 2018, 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	\$ 7,402,961	\$ -
Net change in proportionate share of net pension liability	-	1,424,442
Difference between projected and actual earnings on pension plan investments	-	2,341,565
Changes of assumptions*	16,288,280	-
Differences between expected and actual experience in the measurement of the total pension liability	325,137	1,533,473
Total	<u>\$ 24,016,378</u>	<u>\$ 5,299,480</u>

\* A description of the changes in assumptions are described in further detail on the Schedule of Proportionate Share of the Net Pension Liability in the Required Supplementary Information section of this report.

The deferred outflows 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 subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years.

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

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### NOTE 11 – PENSION PLANS (continued)

#### A. California State Teachers' Retirement System (CalSTRS) (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 275,251
2020	3,694,905
2021	2,434,282
2022	141,203
2023	2,399,106
Thereafter	2,369,190
Total	<u>\$ 11,313,937</u>

#### Actuarial Methods and Assumptions

Total pension liability for STRS was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.1%
Consumer Price of Inflation	2.75%
Wage Growth	3.5%

CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

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 (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

June 30, 2018

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**NOTE 11 – PENSION PLANS (continued)**

**A. California State Teachers’ Retirement System (CalSTRS) (continued)**

**Actuarial Methods and Assumptions (continued)**

For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	-1.00%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.1%. 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 (7.1%) 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:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 129,095,050
Current discount rate (7.10%)	87,920,393
1% increase (8.10%)	54,504,369

**On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$4,229,767 (9.328% of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures. On behalf payments have not been included in the budgeted amounts reported in the General Fund - Budgetary Comparison Schedule.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2018*

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**NOTE 11 – PENSION PLANS (continued)**

**B. 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, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation. 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, 2018, are summarized as follows:

	<b>School Employer Pool (CalPERS)</b>	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date		
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	7.00%	6.00%
Required Employer Contribution Rate	15.531%	15.531%

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

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### NOTE 11 – PENSION PLANS (continued)

#### B. California Public Employees Retirement System (CalPERS) (continued)

##### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are 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, 2018, are presented above and the total District contributions were \$2,965,437.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$34,114,106. The net pension liability was measured as of June 30, 2017. 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. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.1429% and 0.1503%, resulting in a net decrease in the proportionate share of 0.0074%.

For the year ended June 30, 2018, the District recognized pension expense of \$6,148,250. At June 30, 2018, 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	\$ 2,965,437	\$ -
Net change in proportionate share of net pension liability	-	1,129,259
Difference between projected and actual earnings on pension plan investments	1,180,114	-
Changes of assumptions*	4,982,902	401,651
Differences between expected and actual experience in the measurement of the total pension liability	1,222,168	-
Total	<u>\$ 10,350,621</u>	<u>\$ 1,530,911</u>

\* A description of the changes in assumptions are described in further detail on the Schedule of Proportionate Share of the Net Pension Liability in the Required Supplementary Information section of this report.

The deferred outflows 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 subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4 years.

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

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### NOTE 11 – PENSION PLANS (continued)

#### B. California Public Employees Retirement System (CalPERS) (continued)

##### **Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 1,614,623
2020	3,156,110
2021	2,033,697
2022	(950,157)
2023	-
Thereafter	-
Total	<u>\$ 5,854,273</u>

##### **Actuarial Methods and Assumptions**

Total pension liability for SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.75%
Wage Growth	Varies by entry age and service

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 20 years of mortality improvements, using Scale BB 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+ 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 adjusted to account for assumed administration expenses.

## LAS VIRGENES UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2018

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#### NOTE 11 – PENSION PLANS (continued)

##### B. California Public Employees Retirement System (CalPERS) (continued)

###### Actuarial Methods and Assumptions (continued)

The target asset allocation and best estimates of 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%	5.38%
Fixed Income	19%	2.27%
Inflation Assests	6%	1.39%
Private Equity	12%	6.63%
Real Estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

###### Discount Rate

The discount rate used to measure the total pension liability was 7.15%. 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 (6.15%)	\$ 50,192,781
Current discount rate (7.15%)	34,114,106
1% increase (8.15%)	20,775,498

##### C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Social Security as its alternative plan.

##### D. Payables to the Pension Plans

At June 30, 2018, the District reported payables of \$745,846 and \$212,525 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, required for the fiscal year ended June 30, 2018.

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

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### NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

#### A. General Information about the OPEB Plan

##### Plan description

The District's defined benefit OPEB plan provides benefits for employees of the District. The plan is a single-employer defined benefit OPEB plan administered by the District. Board policy grants the authority to establish and amend the benefit terms and financing requirements through the collective bargaining process. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. While the District contracts its health benefits through the CalPERS health plan, retirees have access to a District funded subsidy towards their insurance premium, currently equal to \$133.00 per month. However, this is not a union-contracted benefit and it is not being offered to retirees at the discretion of the District.

##### Benefits provided

The District offers the same medical plans to its retirees as to its active employees, with the exception that once a retiree becomes eligible for Medicare (that is, reaches age 65), he or she must join a Medicare HMO or a Medicare Supplement plan, with Medicare becoming the primary payer.

Employees become eligible to retire and receive a contribution from the district towards their healthcare benefits upon attainment of age 50 and 5 years of covered PERS service (age 52 and 5 years for PEPRAs employees), or age 55 and 5 years of covered STRS service. Benefits are available for the lifetime of the retiree and spouse or surviving spouse (and dependent children up to the age of 26). The District's contribution on behalf of all eligible retirees and surviving spouses is the same as its contribution for active employees (\$128.00 for 2017 and \$133.00 for 2018, indexed by the Medical CPI thereafter), in addition to an administrative fee, which is currently 0.33% of total premium.

Integrated medical/prescription drug coverage is provided through CalPERS under the Public Employees' Medical and Hospital Care Act (PEMHCA). Employees can choose from a variety of HMO and PPO options providing comprehensive medical and prescription drug coverage.

For purposes of its contract with PEMHCA, the District uses a statutory schedule to determine its monthly contribution on behalf of each active employee. The statutory amount is \$128.00 for 2017 and \$133.00 for 2018, and will be indexed by the Medical CPI each year thereafter. The District also pays an administrative fee, currently 0.33% of total premium, on behalf of all retirees.

##### Employees covered by benefit terms

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	272
Active employees	1,076
Total	<u>1,348</u>

##### Medicare Premium Payment (MPP) Program

The Medicare Premium Payment Program is a cost-sharing multiple-employer other postemployment benefit plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program, through the Teachers' Health Benefit Fund. The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the Defined Benefit Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services on a monthly basis.

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

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

#### B. Total OPEB Liability

The District's total OPEB liability of \$24,519,790 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

#### Actuarial assumptions and other inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	District Plan	MPP Program
Valuation Date	June 30, 2017	June 30, 2016
Experience Study	N/A	July 1, 2010, through June 30, 2015
Inflation	3.90 percent	N/A
Salary increases	3.00 percent	N/A
Healthcare cost trend rates	8.00% for 2017-18, decreasing to 5.00% for 2020-21 and after	3.58 percent
Retirees' share of benefit-related costs	Retirees pay the balance of the premium after statutory minimum benefit contributed by the District	3.7 percent for Medicare Part A, and 4.1 percent for Medicare Part B

#### District Plan

The discount rate was based on Bond Buyer 20-Bond General Obligation Index.

Mortality rates were based on a generational projection based on 100% of scale MP-2016 for years 2014 through 2029, 50% of MP-2016 for years 2030 through 2049, and 20% of MP-2016 for 2050 and thereafter.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study through July 1, 2017.

#### MPP Program

The discount rate used to measure the total OPEB liability was 3.58 percent. The MPP Program is funded on a pay-as-you-go basis, and under the pay-as-you-go method, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017, was applied to all periods of projected benefit payments to measure the total OPEB liability.

CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2018*

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)**

**C. Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
<b>Balance at July 1, 2017</b>	<u>\$ 24,333,098</u>
<b>Changes for the year:</b>	
Service cost	1,084,204
Interest	901,764
Differences between expected and actual experience	16,406
Changes in assumptions or other inputs	(1,062,679)
Benefit payments	<u>(753,003)</u>
Net changes	<u>186,692</u>
<b>Balance at June 30, 2018</b>	<u><u>\$ 24,519,790</u></u>

Changes in discount rate from 3.6% as of July 1, 2017 to 3.9% as of June 30, 2018.

**Sensitivity of the total OPEB liability to changes in the discount rate**

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.9 percent) or 1-percentage-point higher (4.9 percent) than the current discount rate:

	1% Decrease 2.9%	Discount Rate 3.9%	1% Increase 4.9%
District Plan	\$ 28,347,894	\$ 24,519,790	\$ 21,424,304
	1% Decrease 2.58%	Discount Rate 3.58%	1% Increase 4.58%
MPP Program	\$ 704,740	\$ 636,582	\$ 570,283

**Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates**

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.0 percent decreasing to 4.0 percent) or 1-percentage-point higher (9.0 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (7.0% decreasing to 4.0%)	Healthcare Cost Trend Rates (8.0% decreasing to 5.0%)	1% Increase (9.0% decreasing to 6.0%)
District Plan	\$ 24,037,578	\$ 24,519,790	\$ 25,084,331
	1% Decrease (2.7% Part A and 3.1% Part B)	Medicare Cost Trend Rates (3.7% Part A and 4.1% Part B)	1% Increase (4.7% Part A and 5.1% Part B)
MPP Program	\$ 575,249	\$ 636,582	\$ 697,302

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2018*

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**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)**

**C. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,011,908. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,062	\$ -
Changes of assumptions or other inputs	-	910,868
Total	<u>\$ 14,062</u>	<u>\$ 910,868</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	\$ 2,344	\$ 151,811
2020	2,344	151,811
2021	2,344	151,811
2022	2,344	151,811
2023	2,344	151,811
Thereafter	2,342	151,813

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***Required Supplementary Information***

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**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Budgetary Comparison Schedule – General Fund*  
*For the Fiscal Year Ended June 30, 2018*

	<b>Budgeted Amounts</b>		<b>Actual*</b> <b>(Budgetary Basis)</b>	<b>Variance with Final Budget - Pos (Neg)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
LCFF sources	\$ 90,617,512	\$ 90,836,873	\$ 90,863,144	\$ 26,271
Federal sources	3,522,179	3,900,762	3,750,211	(150,551)
Other state sources	8,838,251	12,678,311	12,859,137	180,826
Other local sources	9,883,290	10,028,228	11,039,239	1,011,011
<b>Total Revenues</b>	<b>112,861,232</b>	<b>117,444,174</b>	<b>118,511,731</b>	<b>1,067,557</b>
<b>Expenditures</b>				
Current:				
Certificated salaries	52,730,392	53,625,888	53,328,298	297,590
Classified salaries	19,369,800	20,134,849	19,984,616	150,233
Employee benefits	23,858,308	24,371,583	24,075,195	296,388
Books and supplies	4,816,430	5,393,449	5,393,448	1
Services and other operating expenditures	11,749,118	14,212,893	13,052,498	1,160,395
Capital outlay	249,730	1,040,447	1,040,446	1
Intergovernmental	534,100	889,600	800,496	89,104
Debt service	23,769	134,708	200,000	(65,292)
<b>Total Expenditures</b>	<b>113,331,647</b>	<b>119,803,417</b>	<b>117,874,997</b>	<b>1,928,420</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(470,415)	(2,359,243)	636,734	2,995,977
<b>Other Financing Sources and Uses</b>				
Interfund transfers in	1	1	-	(1)
Interfund transfers out	(850,000)	(850,000)	(850,000)	-
<b>Total Other Financing Sources and Uses</b>	<b>(849,999)</b>	<b>(849,999)</b>	<b>(850,000)</b>	<b>(1)</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,320,414)	(3,209,242)	(213,266)	2,995,976
Fund Balance, July 1, 2017	29,649,029	29,649,029	29,649,029	-
<b>Fund Balance, June 30, 2018</b>	<b>\$ 28,328,615</b>	<b>\$ 26,439,787</b>	<b>\$ 29,435,763</b>	<b>\$ 2,995,976</b>

\*The actual column above does not include the revenues or expenditures related to the STRS on-behalf contributions, as they were not considered during the budget development process.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Schedule of Proportionate Share of the Net Pension Liability*  
*For the Fiscal Year Ended June 30, 2018*

	Last Ten Fiscal Years*			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>CalSTRS</b>				
District's proportion of the net pension liability	0.0951%	0.0940%	0.1000%	0.0970%
District's proportionate share of the net pension liability	\$ 87,920,393	\$ 76,028,140	\$ 67,324,000	\$ 56,683,890
State's proportionate share of the net pension liability associated with the District	20,532,807	43,287,836	35,606,879	34,228,524
Totals	<u>\$ 108,453,200</u>	<u>\$ 119,315,976</u>	<u>\$ 102,930,879</u>	<u>\$ 90,912,414</u>
District's covered-employee payroll	<u>\$ 50,598,712</u>	<u>\$ 38,085,918</u>	<u>\$ 40,708,052</u>	<u>\$ 43,816,667</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	173.76%	199.62%	165.38%	129.37%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%
<b>CalPERS</b>				
District's proportion of the net pension liability	0.1429%	0.1503%	0.1505%	0.1469%
District's proportionate share of the net pension liability	<u>\$ 34,114,106</u>	<u>\$ 29,684,343</u>	<u>\$ 22,183,849</u>	<u>\$ 16,676,727</u>
District's covered-employee payroll	<u>\$ 18,223,618</u>	<u>\$ 16,558,335</u>	<u>\$ 14,983,774</u>	<u>\$ 15,414,613</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	187.20%	179.27%	148.05%	108.19%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

**Notes to Schedule:**

**Changes in Benefit Terms**

A summary of the plan provisions that were used for a specific plan can be found in each plan's annual valuation report.

**Change of Assumptions and Methods**

**CalSTRS:**

The assumptions used in determining the Total Pension Liability of the STRP changed as a result of the actuarial experience study for the period starting July 1, 2010 and ending June 30, 2015. The assumption changes were to price inflation, wage growth, discount rate and the mortality tables.

**CalPERS:**

In Fiscal Year 2016-17, the financial reporting discount rate for the PERF B was lowered from 7.65 percent to 7.15 percent. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF B from 7.50 percent to 7.00 percent, which is to be phased-in over a three-year period (7.50 percent to 7.375 percent, 7.375 percent to 7.25 percent, and 7.25 percent to 7.00 percent) beginning with the June 30, 2017, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In Fiscal Year 2014-15, the financial reporting discount rate was increased from 7.50 percent to 7.65 percent resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50 percent during this period, and remained adjusted for administrative expenses.

\* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Schedule of Pension Contributions*  
*For the Fiscal Year Ended June 30, 2018*

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	Last Ten Fiscal Years*			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>CalSTRS</b>				
Contractually required contribution	\$ 7,402,961	\$ 6,365,318	\$ 4,086,619	\$ 3,614,875
Contributions in relation to the contractually required contribution	<u>7,402,961</u>	<u>6,365,318</u>	<u>4,086,619</u>	<u>3,614,875</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 51,302,568</u>	<u>\$ 50,598,712</u>	<u>\$ 38,085,918</u>	<u>\$ 40,708,052</u>
Contributions as a percentage of covered-employee payroll	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
<b>CalPERS</b>				
Contractually required contribution	\$ 2,965,437	\$ 2,530,896	\$ 1,961,666	\$ 1,763,740
Contributions in relation to the contractually required contribution	<u>2,965,437</u>	<u>2,530,896</u>	<u>1,961,666</u>	<u>1,763,740</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 19,093,664</u>	<u>\$ 18,223,618</u>	<u>\$ 16,558,335</u>	<u>\$ 14,983,774</u>
Contributions as a percentage of covered-employee payroll	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

\* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT***Schedule of Changes in the District's Total OPEB Liability and Related Ratios  
For the Fiscal Year Ended June 30, 2018*

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Last 10 Fiscal Years\*

	<b>2018</b>
<b>Total OPEB liability</b>	
Service cost	\$ 1,084,204
Interest	901,764
Differences between expected and actual experience	16,406
Changes of assumptions or other inputs	(1,062,679)
Benefit payments	(753,003)
<b>Net change in total OPEB liability</b>	186,692
<b>Total OPEB liability - beginning</b>	24,333,098
<b>Total OPEB liability - ending</b>	<u>\$ 24,519,790</u>
<b>Covered-employee payroll</b>	<u>\$ 71,746,696</u>
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	<u>34.18%</u>

**Notes to Schedule:***Change in discount rate from 3.6% as of July 1, 2017 to 3.9% as of June 30, 2018.**\* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

**LAS VIRGENES UNIFIED SCHOOL DISTRICT***Schedule of Changes in the District's Total OPEB Liability and Related Ratios  
For the Fiscal Year Ended June 30, 2018**(Dollars in Thousands, except for District's proportionate share)*

	<b>2018</b>
<b>Total OPEB liability</b>	
Interest	\$ 12,928
Differences between expected and actual experience	(41)
Changes of assumptions	(31,240)
Benefit payments, including refunds of member contributions	(28,929)
<b>Net change in total OPEB liability</b>	<b>(47,282)</b>
<b>Total OPEB liability - beginning</b>	<b>468,031</b>
<b>Total OPEB liability - ending</b>	<b>\$ 420,749</b>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 29,117
Net investment income	11
Premiums paid	(28,929)
Administrative expense	(168)
<b>Net change in plan fiduciary net position</b>	<b>31</b>
<b>Plan fiduciary net position - beginning</b>	<b>10</b>
<b>Plan fiduciary net position - ending</b>	<b>\$ 41</b>
<b>Net OPEB liability</b>	<b>\$ 420,708</b>
<b>District's proportionate share of net OPEB liability</b>	<b>\$ 636,582</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>0.01%</b>
<b>Covered-employee payroll</b>	<b>N/A</b>
<b>District's net OPEB liability as a percentage of covered-employee payroll</b>	<b>N/A</b>

**Notes to Schedule:**

*As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.*

*This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2018*

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

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

**Schedule of Proportionate Share of the Net Pension Liability**

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportionate share (amount) of the collective net pension liability
- The employer’s covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer’s covered-employee payroll
- The pension plan’s fiduciary net position as a percentage of the total pension liability

**Schedule of Pension Contributions**

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- If an employer’s contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer’s actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer’s actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

**Schedule of Changes in the District’s Total OPEB Liability and Related Ratios**

This schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents information of the measurement date of the net OPEB liability.

**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

At June 30, 2018, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule:

Appropriations Category	Excess Expenditures
Debt service*	\$ 65,292

\*Due to the availability of RDA income which enabled the District to pay some of the certificates of participation debt service from this account

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***Supplementary Information***

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**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Local Educational Agency Organization Structure*  
*June 30, 2018*

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The Las Virgenes Unified School District was established in 1962. The District boundaries include the cities of Agoura Hills, Calabasas, Hidden Hills, Westlake Village, and unincorporated areas in Los Angeles and Ventura counties. There were no changes to the District’s boundaries during the year. The District operates eight elementary schools, one alternative K-8 school, three middle schools, two comprehensive high schools, and one alternative high school.

<b>GOVERNING BOARD</b>		
<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Dallas Lawrence	President	2018
Linda Menges	Vice President	2020
Mathy Wasserman	Clerk	2020
Angela Cutbill	Member	2018
Lesli Stein	Member	2018

**DISTRICT ADMINISTRATORS**

Dan Stepenosky, Ed.D.,  
*Superintendent*

Clara Finneran, Ed.D.,  
*Assistant Superintendent, Education*

Karen Kimmel,  
*Assistant Superintendent, Business*

Rose Dunn, Ed.D.,  
*Assistant Superintendent, Personnel*

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*Schedule of Average Daily Attendance  
For the Fiscal Year Ended June 30, 2018*

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	<b>Second Period Report</b>	<b>Annual Report</b>
	Certificate No. (656FD62E)	Certificate No. (85842218)
<b>Regular ADA:</b>		
Transitional Kindergarten through Third	2,883.68	2,898.21
Fourth through Sixth	2,333.13	2,334.58
Seventh through Eighth	1,750.36	1,747.63
Ninth through Twelfth	3,873.63	3,854.99
Total Regular ADA	<u>10,840.80</u>	<u>10,835.41</u>
<b>Special Education, Nonpublic, Nonsectarian Schools:</b>		
Fourth through Sixth	0.85	0.98
Seventh through Eighth	2.79	3.16
Ninth through Twelfth	15.63	16.75
Total Special Education, Nonpublic, Nonsectarian Schools	<u>19.27</u>	<u>20.89</u>
Total ADA	<u><u>10,860.07</u></u>	<u><u>10,856.30</u></u>

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*Schedule of Instructional Time*

*For the Fiscal Year Ended June 30, 2018*

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<u>Grade Level</u>	<u>Requirement</u>	<u>2017-18 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	39,000	180	Complied
Grade 1	50,400	50,716	180	Complied
Grade 2	50,400	50,716	180	Complied
Grade 3	50,400	50,716	180	Complied
Grade 4	54,000	54,532	180	Complied
Grade 5	54,000	54,532	180	Complied
Grade 6	54,000	55,730	180	Complied
Grade 7	54,000	55,730	180	Complied
Grade 8	54,000	55,730	180	Complied
Grade 9	64,800	67,559	180	Complied
Grade 10	64,800	67,559	180	Complied
Grade 11	64,800	67,559	180	Complied
Grade 12	64,800	67,559	180	Complied

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Schedule of Financial Trends and Analysis*  
*For the Fiscal Year Ended June 30, 2018*

General Fund	(Budget) 2019 <sup>2</sup>	2018 <sup>3</sup>	2017	2016
Revenues and other financing sources	\$ 120,000,029	\$ 118,511,731	\$ 114,755,432	\$ 114,756,362
Expenditures	120,879,917	117,874,997	110,876,285	106,180,036
Other uses and transfers out	915,000	850,000	635,000	500,000
Total outgo	121,794,917	118,724,997	111,511,285	106,680,036
Change in fund balance (deficit)	(1,794,888)	(213,266)	3,244,147	8,076,326
Ending fund balance	\$ 27,640,875	\$ 29,435,763	\$ 29,649,029	\$ 26,404,882
Available reserves <sup>1</sup>	\$ 19,133,463	\$ 18,858,225	\$ 16,046,255	\$ 12,256,602
Available reserves as a percentage of total outgo	15.7%	15.9%	14.4%	11.5%
Total long-term debt	\$ 330,694,433	\$ 345,338,754	\$ 336,755,002	\$ 312,147,184
Average daily attendance at P-2	10,694	10,860	11,064	10,922

The General Fund balance has decreased by \$213,266 over the past year. The fiscal year 2018-19 adopted budget projects a decrease of \$1,794,888. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in one of the past three years, and anticipates incurring an operating deficit during the 2018-19 fiscal year. Long-term debt has increased by \$33,191,570 over the past two years.

Average daily attendance has decreased by 62 over the past two years. A decrease of 166 ADA is anticipated during fiscal year 2018-19.

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

<sup>2</sup> Revised Final Budget September, 2018.

<sup>3</sup> This column does not include the revenues or expenditures related to the STRS on-behalf contributions.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended June 30, 2018*

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Basic	10.553	13525	\$ 25,342	
School Breakfast Program - Especially Needy	10.553	13526	16,652	
National School Lunch Program	10.555	13523	335,150	
USDA Donated Foods	10.555	N/A	<u>94,681</u>	
Total Child Nutrition Cluster				\$ 471,825
Total U.S. Department of Agriculture				<u>471,825</u>
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I Grants Cluster:				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	1,125,473	
Title I, Program Improvement	84.010	14957	<u>100,000</u>	
Total Title I Grants Cluster				1,225,473
Title II, Part A, Supporting Effective Instruction Local	84.367	14341		160,370
Title III, Limited English Proficiency	84.365	14346		88,102
Department of Rehabilitation: Workability II, Transitions Partnership	84.126	10006		159,047
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894		85,065
Individuals with Disabilities Education Act (IDEA):				
Local Assistance Entitlement	84.027	13379	1,870,084	
Preschool Local Entitlement, Part B	84.173A	13682	<u>125,325</u>	
Total Special Education (IDEA) Cluster				1,995,409
Total U.S. Department of Education				<u>3,713,466</u>
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education:				
Medical Assistance Cluster:				
Medi-Cal Billing Option	93.778	10013		63,698
Total U.S. Department of Health & Human Services				<u>63,698</u>
Total Expenditures of Federal Awards				<u>\$ 4,248,989</u>

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

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*General Fund Selected Financial Information Three-Year Summary of Revenues, Expenditures,  
and Changes in Fund Balance*

*For the Fiscal Year Ended June 30, 2018*

	Actual Results for the Years*					
	(Amounts in thousands)					
	2017-18		2016-17		2015-16	
Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue	
<b>Revenues</b>						
Federal revenue	\$ 3,750	3.16	\$ 3,239	2.82	\$ 3,086	2.69
State and local revenue included in LCFE	90,864	76.67	88,676	77.27	83,348	72.63
Other state revenue	12,859	10.85	12,029	10.48	17,074	14.88
Other local revenue	11,039	9.31	10,811	9.42	11,249	9.80
<b>Total Revenues</b>	<b>118,512</b>	<b>100.00</b>	<b>114,755</b>	<b>100.00</b>	<b>114,757</b>	<b>100.00</b>
<b>Expenditures</b>						
Salaries and benefits						
Certificated salaries	53,328	45.00	52,142	45.44	50,498	44.00
Classified salaries	19,985	16.86	19,115	16.66	18,722	16.31
Employee benefits	24,075	20.31	22,267	19.40	20,059	17.48
Subtotal salaries and benefits	97,388	82.18	93,524	81.50	89,279	77.80
Books and supplies	5,393	4.55	3,554	3.10	4,261	3.71
Services and operating expenditures	13,052	11.01	11,457	9.98	10,952	9.54
Capital outlay	1,040	0.88	1,266	1.10	924	0.81
Other outgo	1,000	0.84	1,075	0.94	764	0.67
<b>Total Expenditures</b>	<b>117,875</b>	<b>99.46</b>	<b>110,876</b>	<b>96.62</b>	<b>106,180</b>	<b>92.53</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	637	0.54	3,879	3.38	8,577	7.47
<b>Other Financing Sources and Uses</b>						
Interfund transfers out	(850)	(0.72)	(635)	(0.55)	(500)	(0.44)
<b>Total Other Financing Sources and Uses</b>	<b>(850)</b>	<b>(0.72)</b>	<b>(635)</b>	<b>(0.55)</b>	<b>(500)</b>	<b>(0.44)</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(213)	(0.18)	3,244	2.83	8,077	7.04
Fund Balances, Beginning	29,649		26,405		18,328	
Fund Balances, Ending	\$ 29,436		\$ 29,649		\$ 26,405	

\*Actual results do not include the STRS on behalf contributions from the State.

# LAS VIRGENES UNIFIED SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2018

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## NOTE 1 – PURPOSE OF SCHEDULES

### Individual Combining Financial Statements

Individual combining balance sheets and statements of revenues, expenditures and changes in fund balance have been presented for the non-major funds to provide additional information to the users of these financial statements. These statements have been prepared using the basis of accounting described in the notes to financial statements.

### Schedule of Average Daily Attendance (ADA)

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

### Schedule of Instructional Time

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

### 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.

### 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 Expenditures of Federal Awards

The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2018.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances (Governmental & Proprietary)		\$ 6,004,676
Differences between Federal Revenues and Expenditures:		
Build America Bonds - Interest Subsidy	Not applicable	(1,782,640)
Medi-Cal Billing Option	93.778	26,954
Total Schedule of Expenditures of Federal Awards		<u>\$ 4,248,989</u>

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*Note to the Supplementary Information*

*June 30, 2018*

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**NOTE 1 - PURPOSE OF SCHEDULES (continued)**

**General Fund Selected Financial Information**

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the General Fund for the past three years.

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***Other Independent Auditors' Reports***

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

Board of Education  
Las Virgenes Unified School District  
Calabasas, 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 Las Virgenes Unified School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Las Virgenes Unified School District's basic financial statements, and have issued our report thereon dated November 28, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Las Virgenes Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Las Virgenes Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Las Virgenes 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 Las Virgenes Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Findings 2018-001 and 2018-002.

**Las Virgenes Unified School District's Responses to Findings**

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

**Purpose of this Report**

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

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

Murrieta, California  
November 28, 2018



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Las Virgenes Unified School District
Calabasas, California

Report on State Compliance

We have audited Las Virgenes Unified School District's compliance with the types of compliance requirements described in the 2017-18 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 Las Virgenes Unified School District's state government programs as noted on the following page for the fiscal year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with state laws, regulations, and the terms and conditions of its State programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Las Virgenes Unified School District's state programs based on our audit of the types of compliance requirements referred to on the following page. 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 the 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Las Virgenes Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Table with 2 columns: Description, Procedures Performed. Rows include: Local Education Agencies Other Than Charter Schools: Attendance (Yes), Teacher Certification and Misassignments (Yes), Kindergarten Continuance (Yes), Independent Study (No (see below)), Continuation Education (Not Applicable), Instructional Time (Yes), Instructional Materials (Yes), Ratio of Administrative Employees to Teachers (Yes).

Description	Procedures Performed
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for independent study because the ADA was under the level that requires testing.

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

In our opinion, Las Virgenes Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2018.

***Other Matter(s)***

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to previously, which is required to be reported in accordance with the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and which is described in the accompanying schedule of findings and questioned costs as Finding 2018-002. Our opinion on each state program is not modified with respect to these matters.

***District's Responses to Finding***

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

Murrieta, California  
November 28, 2018



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Education  
Las Virgenes Unified School District  
Calabasas, California

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

We have audited Las Virgenes Unified School District's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Las Virgenes Unified School District's major federal programs for the year ended June 30, 2018. Las Virgenes Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Las Virgenes 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Las Virgenes 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 Las Virgenes Unified School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Las Virgenes 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, 2018.

### **Report on Internal Control Over Compliance**

Management of Las Virgenes 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 Las Virgenes 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Murrieta, California  
November 28, 2018

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***Findings and Questioned Costs***

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**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2018*

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

***Financial Statements***

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

***Federal Awards***

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None Reported</u>
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 200.516	<u>No</u>
Identification of major programs:	
<u>CFDA Numbers</u> <u>Name of Federal Program or Cluster</u>	
<u>84.010</u> <u>Title I Cluster</u>	
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</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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**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2018*

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

**Finding 2018-001: Change Orders (60000)**

**Criteria:** Public Contract Code Section 20118.4 mandates that any change of a contract may be authorized by the governing board without the formality of securing bids, so long as the cost does not exceed ten percent of the original contract price.

**Condition:** We noted one contract revision for the Calabasas High field installation approved by the governing board which exceeded the ten percent threshold. This caused a change \$121,637 from an original contract price of \$709,869 or a 17.1% increase.

**Cause:** The board approved this change order without rebidding due to reliance on a Public Contract Code, Section 20118.4(b), which only applies to districts with 400,000 ADA or more.

**Effect:** The District is out of compliance with this requirement.

**Recommendation:** While it is too late to comply with regulations on this specific contract since it is now completed, we recommend that the District comply with Public Contract Code on all remaining and future contracts and secure bids for contract changes exceeding ten percent of the original contract price.

**Views of Responsible Officials:** It is the District’s full intent to comply with Public Contract Code (PCC), and to this end all appropriate staff in the Facilities, Maintenance, Purchasing and Accounting departments have attended a PCC training by our legal counsel this past summer. As a result of this training, procedures and checklists have been implemented to assure future compliance.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2018*

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

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

*There were no federal award findings or questioned costs in 2017-18.*

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2018*

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

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

**Finding 2018-002: Teacher Credentials (71000)**

**Criteria:** Any teacher that is assigned to teach a class in which more than 20 percent of the pupils were English learners must be authorized to instruct Limited-English-Proficient (LEP) pupils pursuant to the provisions of Education Code Section 44253.3, 44253.4, or 44253.10.

**Condition:** Our sample of teachers selected for testing included one that lacked the appropriate credentials to instruct LEP pupils.

**Cause:** The teacher had not completed the required coursework.

**Effect:** The District is out of compliance with this requirement.

**Questioned Cost:** None.

**Recommendation:** We recommend that the District create a process to ensure all teachers who teach Limited English Proficient students have the proper credential on file.

**Views of Responsible Officials:** The District was compliant in staffing at the onset of the school year. The class in question had a new enrollment in November, which put the teacher out of compliance due to the percentage of LEP students assigned to her room. This past summer, the teacher finished her course work for credentialing.

**LAS VIRGENES UNIFIED SCHOOL DISTRICT**

*Summary Schedule of Prior Audit Findings*

*For the Fiscal Year Ended June 30, 2018*

<b>Original Finding No.</b>	<b>Finding</b>	<b>Code</b>	<b>Recommendation</b>	<b>Current Status</b>
<p><i>Finding 2017-001: CALPADS Unduplicated Pupil Counts</i></p>	<p>Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:</p> <ul style="list-style-type: none"> <li>• Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (<i>EC</i> sections 2574(b)(2) and 42238.02(b)(1)).</li> <li>• Divided by total enrollment in the LEA (<i>EC</i> sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.</li> </ul> <p>During our testing of English Learners (EL) reported in the CALPADS 1.17 and 1.18 reports, we noted that sixteen students were reported as having the English learner designation for the 2016-17 fiscal year but were not eligible based on the District reclassification policy.</p>	<p>40000</p>	<p>We recommend that the English learner reclassification policy be modified to define the use of the District prescribed criteria for reclassification. All pupils who are found English proficient based on the District reclassification policy should have their statuses updated in CALPADS prior to the submission deadline.</p>	<p>Implemented.</p>

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To the Board of Education  
Las Virgenes Unified School District  
Calabasas, California

In planning and performing our audit of the basic financial statements of Las Virgenes Unified School District for the year ending June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated November 28, 2018, on the financial statements of Las Virgenes Unified School District.

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

**Observation:** During our review of disbursements, we noted that approvals are not consistently obtained prior to making a purchase. We noted exceptions at Agoura High and Calabasas High.

**Recommendation:** As a “best practice”, approval by required parties should be obtained before the actual commitment to purchase the items in order to ensure the expense is a proper use of student-body funds and falls within budgetary guidelines. Education Code Section 48933(b) requires all payments from ASB funds be authorized by a student representative, an advisor, and a district representative prior to disbursing the funds.

**Observation:** During our testing of cash receipts at Agoura High, Calabasas High, and AE Wright Middle we identified deposits which were lacking complete supporting documentation. Without adequate and complete supporting documentation, we could not verify whether all cash collected had been deposited intact and into the correct ASB account. Additionally, we found deposits at these sites that were not made in a timely manner. These untimely deposits were collected by other departments at the school and were delayed in being delivered to the ASB bookkeeper.

**Recommendation:** We recommend that before any events are held, control procedures should be established that will allow for the reconciliation between money collected and fundraiser sales. Sound internal controls for handling cash discourage theft of ASB funds and protect those who handle the cash. It is important to tie all proceeds to the specific fundraiser from which they were generated and to ensure that all proceeds from an event are turned in and properly accounted for. Additionally, we recommend that the site emphasize to the advisors and teachers that deposits should be made to the bookkeeper on a weekly basis or more often as needed.

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

*Nigro+Nigro, PC*

Murrieta, California  
November 28, 2018