



**CONEJO VALLEY UNIFIED
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2012

FINANCIAL SECTION

Independent Auditors' Report	2
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements	
Governmental Funds - Balance Sheet	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	16
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
Proprietary Funds - Statement of Net Assets	20
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Net Assets	21
Proprietary Funds - Statement of Cash Flows	22
Fiduciary Funds - Statement of Net Assets	23
Fiduciary Funds - Statement of Changes in Net Assets	24
Notes to Financial Statements	25

REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Budgetary Comparison Schedule	54
Schedule of Other Postemployment Benefits (OPEB) Funding Progress	55

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	57
Local Education Agency Organization Structure	60
Schedule of Average Daily Attendance	61
Schedule of Instructional Time	62
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	63
Schedule of Financial Trends and Analysis	64
Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet	65
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	66
Note to Supplementary Information	67

INDEPENDENT AUDITORS' REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	70
Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	72
Report on State Compliance	74

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results	77
Financial Statement Findings	78
Federal Awards Findings and Questioned Costs	82
State Awards Findings and Questioned Costs	83
Summary Schedule of Prior Audit Findings	84
Management Letter	85

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Governing Board
Conejo Valley Unified School District
Thousand Oaks, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Conejo Valley Unified School District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-2012*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Conejo Valley Unified School District, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding requirements of the State of California to the K-12 educational community.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2012, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 12, and the budgetary comparison information and schedule of other postemployment benefits on pages 54 and 55 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The Schedule of Expenditures of Federal Awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133)* and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 7, 2012



Conejo Valley Unified School District

BUSINESS SERVICES

1400 E. Janss Road, Thousand Oaks, California 91362-2198

Telephone (805) 497-9511 • FAX (805) 497-2581

Jeffrey L. Baarstad, Ph.D.
Superintendent of Schools

Linda Bekeny
Assistant Superintendent

This section of Conejo Valley Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

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

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

The Primary unit of the government is the Conejo Valley Unified School District.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

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

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

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

In the *Statement of Net Assets* and the *Statement of Activities*, we present the District activities as follows:

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

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

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Assets* and the *Statement of Revenues, Expenses, and Changes in Fund Net Assets*. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities, scholarships, employee retiree benefits, and pensions. The District's fiduciary activities are reported in the *Statements of Fiduciary Net Assets* and *Statement of Revenues, Expenses, and Changes in Fund Net Assets*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$79,189,744 for the fiscal year ended June 30, 2012. Of this amount, (\$15,423,421) was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net assets for day-to-day operations. Our analysis below, in summary form, focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2012	2011
Assets		
Current and other assets	\$ 36,255,571	\$ 43,491,150
Capital assets	122,398,154	127,660,578
Total Assets	158,653,725	171,151,728
Liabilities		
Current liabilities	8,085,423	8,387,433
Long-term obligations	71,378,558	76,406,269
Total Liabilities	79,463,981	84,793,702
Net Assets		
Invested in capital assets, net of related debt	84,227,560	83,521,628
Restricted	10,385,605	9,017,450
Unrestricted	(15,423,421)	(6,181,052)
Total Net Assets	\$ 79,189,744	\$ 86,358,026

The (\$15,423,421) in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Changes in Net Assets

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

Table 2

	Governmental Activities	
	2012	2011
Revenues		
Program revenues:		
Charges for services	\$ 2,820,342	\$ 2,952,944
Operating grants and contributions	29,097,945	31,844,163
Capital grants and contributions	10	1,351
General revenues:		
Federal and State aid not restricted	51,821,529	53,849,663
Property taxes	83,679,411	81,630,076
Other general revenues	14,679,233	14,414,342
Total Revenues	<u>182,098,470</u>	<u>184,692,539</u>
Expenses		
Instruction-related	137,850,087	137,400,660
Student support services	14,357,837	14,453,393
Administration	7,894,786	8,587,485
Maintenance and operations	16,401,215	15,304,938
Other	12,762,827	12,831,630
Total Expenses	<u>189,266,752</u>	<u>188,578,106</u>
Change in Net Assets	<u>\$ (7,168,282)</u>	<u>\$ (3,885,567)</u>

Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was \$189,266,752. However, the amount that our taxpayers ultimately financed for these activities through local taxes was \$83,679,411, because the cost was paid by those who benefited from the programs \$2,820,342 or by other governments and organizations who subsidized certain programs with grants and contributions \$29,097,945. We paid for the remaining "public benefit" portion of our governmental activities with \$66,500,762 in State funds, and with other revenues, like interest and general entitlements.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

In Table 3, we have presented the cost and net cost of each of the District's largest functions. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Instruction	\$ 120,716,736	\$ 120,112,822	\$ 99,713,728	\$ 95,886,579
Instruction-related activities	17,133,351	17,287,838	16,272,132	16,395,678
Pupil services	14,357,837	14,453,393	7,954,729	7,589,512
Administration	7,894,786	8,587,485	7,733,694	8,276,401
Maintenance and operations	16,401,215	15,304,938	16,352,564	15,245,679
Other	12,762,827	12,831,630	9,321,608	10,385,799
Total	\$ 189,266,752	\$ 188,578,106	\$ 157,348,455	\$ 153,779,648

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$28,587,717, which is a decrease of \$5,921,116 from last year (Table 4).

Table 4

	Balances and Activity			
	July 1, 2011	Revenues	Expenditures	June 30, 2012
General Fund	\$ 22,291,463	\$ 159,724,423	\$ 164,537,465	\$ 17,478,421
Bond Interest and Redemption Fund	8,003,230	8,152,654	7,567,345	8,588,539
Non-Major Governmental Funds	4,214,140	16,263,924	17,957,307	2,520,757
Total	\$ 34,508,833	\$ 184,141,001	\$ 190,062,117	\$ 28,587,717

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

The primary reasons for these decreases are:

- a. The General Fund is the District's principal operating fund. The fund balance in the General Fund decreased by \$4,813,042. This decrease is due to the School Board's decision to maintain a 180-day instructional school year using reserves.
- b. The Building Fund (Bond) balance decreased from \$2,144,459 to \$1,295,692. These funds are expended in accordance with the guidelines outlined in the Measure R Bond on projects approved by the Board of Education.
- c. The Non-Major Governmental Funds balance decreased by \$1,693,383 to \$2,520,757. The decrease was predominately realized in the Bond Building and the Surplus Property Funds for renovations, repairs, and improvements to school sites.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on September 18, 2012. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 54).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had \$122,398,154 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$5,262,424, or 4.12 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2012	2011
Land and construction in progress	\$ 18,887,727	\$ 18,890,507
Buildings and improvements	102,234,773	107,488,563
Equipment	1,275,654	1,281,508
Total	\$ 122,398,154	\$ 127,660,578

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Long-Term Obligations

At the end of this year, the District had \$59,743,647 in bonds outstanding versus \$64,229,032 last year, a decrease of \$4,485,385. Long-term obligations consisted of:

Table 6

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
General obligation bonds (financed with property taxes)	\$ 59,743,647	\$ 64,229,032
Capitalized lease obligations	671,035	1,972,003
Compensated absences (vacations)	1,163,783	1,235,814
Claims liabilities	5,738,533	5,565,392
Net OPEB obligation	4,061,560	3,404,028
Total	\$ 71,378,558	\$ 76,406,269

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2012-2013 year, the Board of Education and management used the following criteria:

1. Revenue limit income deficit factor of 22.272 percent with a 3.24 percent COLA.
2. Decline in District enrollment.
3. Unrestricted General Fund recapture of categorical dollars (flexibility) grant under SB434.
4. IF Prop 30 Tax Initiative failed:
 - a. Loss of \$441 per ADA.
 - b. Decrease of five percent in salary with a corresponding nine-day decrease in work year.
 - c. Decrease in instructional days from 180 to 175.
 - d. One-time interfund transfers of \$1,400,000.

District Staffing and enrollment forecasts:

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Grades kindergarten through third	21.5:1	5,164
Grades four through eight	30:1	7,295
Grades nine through twelve	30:1	7,432
Special Education (SDC)	12:1	434
Independent Study		107

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent of Business Services at Conejo Valley Unified School District, 1400 E. Janss Road., Thousand Oaks, California, 91362, or call 805-497-9511.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS JUNE 30, 2012

	Governmental Activities
ASSETS	
Deposits and investments	\$ 5,361,379
Receivables	30,547,187
Prepaid expenditures	103,785
Stores inventories	243,220
Capital assets	
Land and construction in progress	18,887,727
Other capital assets	201,246,244
Less: Accumulated depreciation	(97,735,817)
Capital assets, net of accumulated depreciation	<u>122,398,154</u>
Total Assets	<u><u>158,653,725</u></u>
LIABILITIES	
Accounts payable	4,603,138
Interest payable	371,456
Deferred revenue	1,146,576
Claims liabilities	1,964,253
Long-term obligations	
Current portion of long-term obligations	7,934,489
Noncurrent portion of long-term obligations	63,444,069
Total Long-Term Obligations	<u>71,378,558</u>
Total Liabilities	<u><u>79,463,981</u></u>
NET ASSETS	
Invested in capital assets, net of related debt	84,227,560
Restricted for:	
Debt service	8,217,083
Capital projects	1,279,214
Educational programs	604,041
Other activities	285,267
Unrestricted	(15,423,421)
Total Net Assets	<u><u>\$ 79,189,744</u></u>

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

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 120,716,736	\$ 13,527	\$ 20,989,471	\$ 10	\$ (99,713,728)	
Instruction-related activities:						
Supervision of instruction	2,751,197	333	792,399	-	(1,958,465)	
Instructional library, media, and technology	1,211,565	1	1,938	-	(1,209,626)	
School site administration	13,170,589	1,197	65,351	-	(13,104,041)	
Pupil services:						
Home-to-school transportation	1,912,607	-	932,069	-	(980,538)	
Food services	5,319,050	2,505,515	2,466,431	-	(347,104)	
All other pupil services	7,126,180	608	498,485	-	(6,627,087)	
Administration:						
Data processing	3,023,958	3,067	26,700	-	(2,994,191)	
All other administration	4,870,828	2,473	128,852	-	(4,739,503)	
Plant services	16,401,215	18,775	29,876	-	(16,352,564)	
Ancillary services	2,384,158	-	-	-	(2,384,158)	
Community services	1,833,572	46,451	404,401	-	(1,382,720)	
Enterprise services	3,869,749	-	-	-	(3,869,749)	
Interest on long-term obligations	3,292,949	-	-	-	(3,292,949)	
Other outgo	1,382,399	228,395	2,761,972	-	1,607,968	
Total Governmental Activities	\$ 189,266,752	\$ 2,820,342	\$ 29,097,945	\$ 10	(157,348,455)	
					75,351,366	
					8,115,992	
					212,053	
					51,821,529	
					265,622	
					211,328	
					14,202,283	
					Subtotal, General Revenues	
					150,180,173	
					Change in Net Assets	
					(7,168,282)	
					Net Assets - Beginning	
					86,358,026	
					Net Assets - Ending	
					\$ 79,189,744	

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

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012**

	<u>General Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Deposits and investments	\$ (5,141,928)	\$ 8,574,808	\$ 1,002,797	\$ 4,435,677
Receivables	29,725,828	13,731	496,317	30,235,876
Due from other funds	2,912,376	-	3,293,017	6,205,393
Prepaid expenditures	103,785	-	-	103,785
Stores inventories	160,210	-	83,010	243,220
Total Assets	<u>\$ 27,760,271</u>	<u>\$ 8,588,539</u>	<u>\$ 4,875,141</u>	<u>\$ 41,223,951</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 3,637,476	\$ -	\$ 669,091	\$ 4,306,567
Due to other funds	5,669,338	-	1,513,753	7,183,091
Deferred revenue	975,036	-	171,540	1,146,576
Total Liabilities	<u>10,281,850</u>	<u>-</u>	<u>2,354,384</u>	<u>12,636,234</u>
Fund Balances:				
Nonspendable	304,295	-	83,010	387,305
Restricted	604,041	8,588,539	1,680,065	10,872,645
Committed	-	-	415,587	415,587
Assigned	2,145,198	-	342,095	2,487,293
Unassigned	14,424,887	-	-	14,424,887
Total Fund Balances	<u>17,478,421</u>	<u>8,588,539</u>	<u>2,520,757</u>	<u>28,587,717</u>
Total Liabilities and Fund Balances	<u>\$ 27,760,271</u>	<u>\$ 8,588,539</u>	<u>\$ 4,875,141</u>	<u>\$ 41,223,951</u>

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

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

Total Fund Balance - Governmental Funds		\$ 28,587,717
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is:	\$220,133,971	
Accumulated depreciation is:	<u>(97,735,817)</u>	
Net Capital Assets		122,398,154
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(371,456)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities.		(5,784,646)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds payable	(37,615,143)	
Capital leases payable	(671,035)	
Compensated absences (vacations)	(1,163,783)	
Net OPEB obligation	(4,061,560)	
In addition, the District previously issued "capital appreciation" general obligation bonds. The cumulative capital accretion on the general obligation bonds is:	<u>(22,128,504)</u>	
Total Long-Term Obligations		<u>(65,640,025)</u>
Total Net Assets - Governmental Activities		<u><u>\$ 79,189,744</u></u>

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

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Revenue limit sources	\$ 107,205,596	\$ -	\$ -	\$ 107,205,596
Federal sources	8,114,198	-	2,565,099	10,679,297
Other State sources	25,498,884	65,290	1,721,900	27,286,074
Other local sources	18,901,745	8,087,364	9,917,497	36,906,606
Total Revenues	159,720,423	8,152,654	14,204,496	182,077,573
EXPENDITURES				
Current				
Instruction	109,527,413	-	3,335,858	112,863,271
Instruction-related activities:				
Supervision of instruction	2,751,197	-	-	2,751,197
Instructional library, media and technology	1,206,677	-	-	1,206,677
School site administration	12,564,459	-	500,461	13,064,920
Pupil services:				
Home-to-school transportation	1,912,607	-	-	1,912,607
Food services	-	-	5,278,991	5,278,991
All other pupil services	7,027,632	-	73,822	7,101,454
Administration:				
Data processing	2,823,607	-	-	2,823,607
All other administration	4,345,698	-	523,037	4,868,735
Plant services	15,117,005	-	214,628	15,331,633
Facility acquisition and construction	4,319	-	2,148,892	2,153,211
Ancillary services	2,384,158	-	-	2,384,158
Community services	1,833,572	-	-	1,833,572
Other outgo	1,382,399	-	-	1,382,399
Enterprise services	-	-	3,861,335	3,861,335
Debt service				
Principal	-	4,632,853	1,300,968	5,933,821
Interest and other	175,749	2,934,492	69,282	3,179,523
Total Expenditures	163,056,492	7,567,345	17,307,274	187,931,111
Excess (Deficiency) of Revenues Over Expenditures	(3,336,069)	585,309	(3,102,778)	(5,853,538)
OTHER FINANCING SOURCES (USES)				
Transfers in	4,000	-	2,054,428	2,058,428
Other sources	-	-	5,000	5,000
Transfers out	(1,480,973)	-	(650,033)	(2,131,006)
Net Financing Sources (Uses)	(1,476,973)	-	1,409,395	(67,578)
NET CHANGE IN FUND BALANCES	(4,813,042)	585,309	(1,693,383)	(5,921,116)
Fund Balances - Beginning	22,291,463	8,003,230	4,214,140	34,508,833
Fund Balances - Ending	\$ 17,478,421	\$ 8,588,539	\$ 2,520,757	\$ 28,587,717

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

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012

Total Net Change in Fund Balances - Governmental Funds \$ (5,921,116)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

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

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

Capital outlays	\$ 1,183,210	
Depreciation expense	(6,445,634)	
Net Expense Adjustment		(5,262,424)

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) 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). Vacation used was more than the amounts earned by \$72,031.

72,031

Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities.

General obligation bonds	6,635,000	
Capital leases	1,300,968	
Net Adjustment		7,935,968

In the Statement of Activities Other Postemployment Benefit Obligations (OPEB) are measured by an actuarially determined Annual Required Contribution (ARC). In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, amounts contributed toward the OPEB obligation were less than the ARC by \$657,532.

(657,532)

The accretion of interest on capital appreciation bonds is not recognized in the governmental funds, but it increases long-term obligations in the Statement of Net Assets and increases interest expense in the Statement of Activities.

(2,149,615)

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

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (Continued)
FOR THE YEAR ENDED JUNE 30, 2012**

Interest on long-term obligations is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.	\$ 34,042
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.	(31,736)
An internal service fund is used by the District's management to charge the costs of the health and welfare insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.	<u>(1,187,900)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (7,168,282)</u></u>

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

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	Governmental Activities		
	<u>Workers' Compensation Internal Service Fund</u>	<u>Health and Welfare Internal Service Fund</u>	<u>Total Internal Service Funds</u>
ASSETS			
Current Assets			
Deposits and investments	\$ 187,386	\$ 738,316	\$ 925,702
Receivables	2,138	309,173	311,311
Due from other funds	1,169,743	1,814,025	2,983,768
Total Current Assets	<u>1,359,267</u>	<u>2,861,514</u>	<u>4,220,781</u>
LIABILITIES			
Current Liabilities			
Accounts payable	57,041	239,530	296,571
Due to other funds	6,070	2,000,000	2,006,070
Claims liabilities	1,333,150	613,917	1,964,253
Total Current Liabilities	<u>1,396,261</u>	<u>2,853,447</u>	<u>4,266,894</u>
Noncurrent Liabilities			
Claims liabilities	4,323,247	1,432,472	5,738,533
NET ASSETS (Deficit)			
Restricted	<u>(4,360,241)</u>	<u>(1,424,405)</u>	<u>(5,784,646)</u>
Total Net Assets	<u><u>\$ (4,360,241)</u></u>	<u><u>\$ (1,424,405)</u></u>	<u><u>\$ (5,784,646)</u></u>

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

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

	Governmental Activities		
	Workers' Compensation Internal Service Fund	Health and Welfare Internal Service Fund	Total Internal Service Funds
OPERATING REVENUES			
Local and intermediate sources	\$ 1,740,252	\$ 21,659,938	\$ 23,400,190
Total Operating Revenues	<u>1,740,252</u>	<u>21,659,938</u>	<u>23,400,190</u>
OPERATING EXPENSES			
Payroll costs	109,365	192,603	301,968
Supplies and materials	21	2,498	2,519
Services and other	157,463	3,373	160,836
Professional and contract services	1,511,818	22,731,160	24,242,978
Total Operating Expenses	<u>1,778,667</u>	<u>22,929,634</u>	<u>24,708,301</u>
Operating Loss	<u>(38,415)</u>	<u>(1,269,696)</u>	<u>(1,308,111)</u>
NONOPERATING REVENUES			
Interest income	6,679	9,218	15,897
Transfers in	-	72,578	72,578
Total Nonoperating Revenues	<u>6,679</u>	<u>81,796</u>	<u>88,475</u>
Change in Net Assets (Deficit)	(31,736)	(1,187,900)	(1,219,636)
Total Net Assets (Deficit) - Beginning	<u>(4,328,505)</u>	<u>(236,505)</u>	<u>(4,565,010)</u>
Total Net Assets (Deficit) - Ending	<u>\$ (4,360,241)</u>	<u>\$ (1,424,405)</u>	<u>\$ (5,784,646)</u>

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

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	\$ 20,570,457
Cash payments to employees for services	(301,968)
Cash payments to suppliers for goods and services	(23,226,619)
Cash payments for other operating expenses	(2,519)
Net Cash Used by Operating Activities	<u>(2,960,649)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>(116,771)</u>
Net Decrease in Cash and Cash Equivalents	(3,077,420)
Cash and Cash Equivalents - Beginning	4,003,122
Cash and Cash Equivalents - Ending	<u>\$ 925,702</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (1,308,111)
Changes in assets and liabilities:	
Due from other funds	(2,829,733)
Accounts payable	180,377
Due to other funds	996,818
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (2,960,649)</u></u>

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

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	<u>Associated Student Bodies</u>	<u>Foundation Special Reserve</u>	<u>Total Fiduciary Funds</u>
ASSETS			
Deposits and investments	\$ 1,537,643	\$ 47,960	\$ 1,585,603
Receivables	16,457	89	16,546
Total Assets	<u>\$ 1,784,175</u>	<u>\$ 48,049</u>	<u>\$ 1,832,224</u>
LIABILITIES			
Accounts payable	\$ 393,102	\$ 25	\$ 393,127
Deferred revenue		47,477	47,477
Total Liabilities	<u>\$ 1,784,175</u>	<u>47,502</u>	<u>1,831,677</u>
NET ASSETS			
Held in trust for scholarships		547	547
Total Net Assets		<u>\$ 547</u>	<u>\$ 547</u>

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

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

	Foundation Special Reserve
ADDITIONS	
Private donations	\$ 21,747
Interest	163
Total Additions	<u>21,910</u>
DEDUCTIONS	
Other expenditures	21,910
Total Deductions	<u>21,910</u>
Change in Net Assets	-
Net Assets - Beginning	<u>547</u>
Net Assets - Ending	<u><u>\$ 547</u></u>

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

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Conejo Valley Unified School District (the District) was unified on July 1, 1974, under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates 17 elementary schools, five middle schools, three high schools, a continuation high school, an adult education program, an alternative education site, and a preschool program.

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

Under the flexibility provisions of current statute that allow certain formerly restricted revenues to be used for any educational purpose, Fund 14, Deferred Maintenance Fund does not currently meet the definition of a special revenue fund as this fund is no longer primarily composed of restricted or committed revenue sources.

As the District has not taken formal action to commit the flexed revenue formerly restricted to this program to the continued operation of the original programs, the revenue within this fund would be considered to be available for general educational purposes, resulting in Fund 14, Deferred Maintenance Fund being combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets, fund balance, and revenues of \$2,474, \$2,474, and \$3 respectively.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

Non-Major Governmental Funds

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

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

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

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

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

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

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

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

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects is used to account for funds set aside for Board designated construction projects.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has no enterprise funds.

Internal Service Fund Internal service funds may be used to account for any activity for which services are provided to other funds of the District on a cost-reimbursement basis. The District operates a workers' compensation program and a health and welfare benefits program that are accounted for in internal service funds.

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

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

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

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

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

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

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 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 restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

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

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2012, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county investment pool are determined by the program sponsor.

Prepaid Expenditures

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

Stores Inventories

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

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$10,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

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

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 40 years; improvements/infrastructure, 5 to 40 years; equipment, 2 to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

Compensated Absences

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

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

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Fund Balances - Governmental Funds

As of June 30, 2012, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Minimum Fund Balance Policy

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements report \$10,385,605 of restricted net assets.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charged to other funds for self-insurance. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Interfund Activity

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

Estimates

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

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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.

New Accounting Pronouncements

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

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

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship, or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2012, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 5,361,379
Fiduciary funds	<u>1,585,603</u>
Total Deposits and Investments	<u><u>\$ 6,946,982</u></u>

Deposits and investments as of June 30, 2012, consist of the following:

Cash on hand and in banks	\$ 1,551,741
Cash in revolving	480,096
Investments	<u>4,915,145</u>
Total Deposits and Investments	<u><u>\$ 6,946,982</u></u>

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Policies and Practices

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

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

General Authorizations

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

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

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool.

Specific Identification

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Days to Maturity</u>
Ventura County Investment Pool	\$ 4,923,197	337

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2012, the District's bank balance was not exposed to custodial credit risk.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 3 - RECEIVABLES

Receivables at June 30, 2012, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Internal Service Funds	Total	Fiduciary Funds
Federal Government						
Categorical aid	\$ 1,678,888	\$ -	\$ 423,629	\$ -	\$ 2,102,517	\$ -
State Government						
Apportionment	17,994,823	-	-	-	17,994,823	-
Categorical aid	5,577,948	-	26,538	-	5,604,486	-
Lottery	1,549,816	-	-	-	1,549,816	-
Local Government						
Interest	67,233	13,731	5,782	5,109	91,855	89
Other Local Sources	2,857,120	-	40,368	306,202	3,203,690	16,457
Total	<u>\$ 29,725,828</u>	<u>\$ 13,731</u>	<u>\$ 496,317</u>	<u>\$ 311,311</u>	<u>\$ 30,547,187</u>	<u>\$ 16,546</u>

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 18,671,449	\$ -	\$ -	\$ 18,671,449
Construction in Progress	219,058	-	2,780	216,278
Total Capital Assets Not Being Depreciated	<u>18,890,507</u>	<u>-</u>	<u>2,780</u>	<u>18,887,727</u>
Capital Assets Being Depreciated:				
Land Improvements	14,465,747	-	-	14,465,747
Buildings and Improvements	181,388,217	1,065,766	-	182,453,983
Furniture and Equipment	4,206,290	120,224	-	4,326,514
Total Capital Assets Being Depreciated	<u>200,060,254</u>	<u>1,185,990</u>	<u>-</u>	<u>201,246,244</u>
Total Capital Assets	<u>218,950,761</u>	<u>1,185,990</u>	<u>2,780</u>	<u>220,133,971</u>
Less Accumulated Depreciation:				
Land Improvements	4,197,712	691,116	-	4,888,828
Buildings and Improvements	84,167,689	5,628,440	-	89,796,129
Furniture and Equipment	2,924,782	126,078	-	3,050,860
Total Accumulated Depreciation	<u>91,290,183</u>	<u>6,445,634</u>	<u>-</u>	<u>97,735,817</u>
Governmental Activities Capital	<u>\$ 127,660,578</u>	<u>\$ (5,259,644)</u>	<u>\$ 2,780</u>	<u>\$ 122,398,154</u>

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	\$ 6,155,579
Food services	32,229
Data processing	193,369
All other administration	32,229
Plant services	32,228
Total Depreciation Expenses Governmental Activities	<u>\$ 6,445,634</u>

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2012, between major and non-major governmental funds, and internal service funds, are as follows:

Due To	Due From			Total
	General Fund	Non-Major Governmental Funds	Internal Service Funds	
General Fund	\$ -	\$ 906,753	\$ 2,005,623	\$ 2,912,376
Non-Major Governmental Funds	2,685,570	607,000	447	3,293,017
Internal Service Funds	2,983,768	-	-	2,983,768
Total	<u>\$ 5,669,338</u>	<u>\$ 1,513,753</u>	<u>\$ 2,006,070</u>	<u>\$ 9,189,161</u>

A balance of \$377,037 is due to the Adult Education Non-Major Governmental Fund from the General Fund for apportionment transfers.

The balance of \$500,000 is due to the Child Development Non-Major Governmental Fund from the General Fund for temporary loan.

A balance of \$204,760 is due to the Cafeteria Non-Major Governmental Fund from the General Fund for cash flow purposes.

A balance of \$127,334 is due to the General Fund from the Child Development Non-Major Governmental Fund for indirect costs.

A balance of \$500,000 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for temporary loan.

A balance of \$1,000,000 is due to the Building Non-Major Governmental Fund from the General Fund for temporary loan.

The balance of \$2,983,768 is due to the Self-Insurance Fund from the General Fund to cover costs.

A balance of \$250,000 is due to the Building Non-Major Governmental Fund from the Capital Facilities Non-Major Governmental Fund for construction expenses.

A balance of \$100,000 is due to the General Fund from the Capital Facilities Non-Major Governmental Fund for temporary loan.

A balance of \$357,000 is due to the Capital Facilities Non-Major Governmental Fund from the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects for lease payment.

A balance of \$170,000 is due to the General Fund from the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects for temporary loan.

A balance of \$2,000,000 is due to the General Fund from the Self-Insurance Fund for temporary loan.

All remaining balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Operating Transfers

Interfund transfers for the year ended June 30, 2012, consisted of the following:

Transfer To	Transfer From		Total
	General Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 4,000	\$ 4,000
Non-Major Governmental Funds	1,408,395	646,033	2,054,428
Internal Service Funds	72,578	-	72,578
Total	<u>\$ 1,480,973</u>	<u>\$ 650,033</u>	<u>\$ 2,131,006</u>

The General Fund transferred to the Adult Education Non-Major Governmental Fund to cover program costs.	\$ 5,000
The General Fund transferred to the Cafeteria Non-Major Governmental Fund to alleviate current year deficit.	287,771
The General Fund transferred to the Special Reserve Non-Major Governmental Fund for Other Than Capital Outlay Projects for developer fees.	1,115,624
The General Fund transferred to the Self-Insurance Fund for premium contributions.	72,578
The County School Facilities Non-Major Governmental Fund transferred to the Building Non-Major Governmental Fund to close out fund.	4,739
The Special Reserve Non-Major Governmental Fund for Capital Outlay Projects transferred to the General Fund for interest income.	4,000
The Special Reserve Non-Major Governmental Fund for Capital Outlay Projects transferred to the Capital Facilities Fund for lease payment.	641,294
Total	<u>\$ 2,131,006</u>

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2012, consisted of the following:

	General Fund	Non-Major Governmental Funds	Internal Service Funds	Total Governmental Activities	Fiduciary Funds
Vendor payables	\$ 2,628,781	\$ 385,917	\$ 296,571	\$ 3,311,269	\$ 393,127
Salaries and benefits	1,008,695	159,856	-	1,168,551	-
Construction	-	123,318	-	123,318	-
Total	<u>\$ 3,637,476</u>	<u>\$ 669,091</u>	<u>\$ 296,571</u>	<u>\$ 4,603,138</u>	<u>\$ 393,127</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2012, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds	Fiduciary Funds
Federal financial assistance	\$ 243,461	\$ -	\$ 243,461	\$ -
State categorical aid	280,471	-	280,471	-
Other local	451,104	171,540	622,644	47,477
Total	<u>\$ 975,036</u>	<u>\$ 171,540</u>	<u>\$ 1,146,576</u>	<u>\$ 47,477</u>

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

On July 1, 2011, the District issued \$29,630,000 of Tax and Revenue Anticipation Notes bearing interest at 1.50 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on May 1, 2012. By April 2012, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes. As the District has in substance defeased the debt, the tax anticipation notes of \$29,630,000 and related accrued interest and cash held in trust are not included in these financial statements.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance			Balance	Due in
	July 1, 2011	Additions	Deductions	June 30, 2012	One Year
General obligation bonds	\$ 64,229,032	\$ 2,149,615	\$ 6,635,000	\$ 59,743,647	\$ 7,263,454
Capital leases	1,972,003	-	1,300,968	671,035	671,035
Compensated absences (vacations)	1,235,814	-	72,031	1,163,783	-
Claims Liabilities (IBNR)	5,565,392	173,141	-	5,738,533	-
Net OPEB obligation	3,404,028	1,536,108	878,576	4,061,560	-
	<u>\$ 76,406,269</u>	<u>\$ 3,858,864</u>	<u>\$ 8,886,575</u>	<u>\$ 71,378,558</u>	<u>\$ 7,934,489</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues.

The capital leases are paid by the Capital Facilities Fund and the Special Reserve Fund for Capital Outlay Projects.

The compensated absences will be paid by the fund for which the employee worked.

The claims liabilities are paid by the Internal Service Fund.

The postemployment benefits are paid by the General Fund.

Bonded Debt

General Obligation Bonds, Election of 1998, Series A

In March 1999, the District issued \$30,000,000 original principal of the General Obligation Bonds, Election of 1998, Series A. The 1998 Series A Bonds were issued as current interest bonds. The bonds mature through August 1, 2013, with interest rates from 4.0 to 4.5 percent. Proceeds from the sale of the bonds were used to finance specific construction and modernization projects approved by the voters and pay costs of issuance of the bonds. In October 2000, the District refunded \$20,755,000 of the General Obligation Bonds, Election of 1998, Series A. At June 30, 2012, the principal balance outstanding was \$4,045,000.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

General Obligation Bonds, Election of 1998, Series B

In October 2000, the District issued \$13,785,000 in current interest bonds and \$19,990,115 in capital appreciation bonds of the General Obligation Bonds, Election of 1998, Series B. The capital appreciation bonds accreting interest to a maturity value of \$38,615,000. The bonds mature through August 1, 2015, with interest rates from 3.85 to 5.40 percent. Proceeds from the sale of the bonds were used to finance specific construction and modernization projects approved by the voters and pay costs of issuance of the bonds. At June 30, 2012, the principal balance outstanding was \$25,380,810.

General Obligation Bonds, Election of 1998, Series C

In April 2002, the District issued \$8,205,028 principal amount of the General Obligation Bonds Election of 1998, Series C. The Election of 1998, Series C Bonds were issued as capital appreciation bonds, with the capital bond principal accreting interest to a maturity value of \$18,955,000. The bonds mature through August 1, 2017, with interest rates from 5.55 to 5.60 percent. Proceeds from the sale of the bonds were used to finance specific construction and modernization projects approved by the voters and pay costs of issuance of the bonds. At June 30, 2012, the principal balance outstanding was \$14,507,837.

General Obligation Bonds, Election of 1998, Series D

In November 2004, the District issued \$16,015,000 principal amount of the General Obligation Bonds Election of 1998, Series D. The Election of 1998, Series D Bonds were issued as current interest bonds. The bonds mature through August 1, 2019, with interest rates from 2.5 to 4.5 percent. Proceeds from the sale of the bonds were used to finance specific construction and modernization projects approved by the voters and pay costs of issuance of the bonds. At June 30, 2012, the principal balance outstanding was \$15,810,000.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2011	Additions/ Accreted Interest	Redeemed	Bonds Outstanding June 30, 2012
Current Interest							
3/1/1999	8/1/2013	4.00-4.50%	\$ 30,000,000	\$ 5,945,000	\$ -	\$ 1,900,000	\$ 4,045,000
11/15/2004	8/1/2019	2.50-4.50%	16,015,000	15,810,000	-	-	15,810,000
Capital Appreciation							
10/26/2000	8/1/2015	4.75-5.40%	19,990,115	28,753,736	1,362,074	4,735,000	25,380,810
4/4/2002	8/1/2017	5.55-5.60%	8,205,028	13,720,296	787,541	-	14,507,837
				<u>\$ 64,229,032</u>	<u>\$ 2,149,615</u>	<u>\$ 6,635,000</u>	<u>\$ 59,743,647</u>

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Debt Service Requirements to Maturity

The payments are as follows:

Fiscal Year	Current Interest Bonds		Capital Appreciation Bonds		Total
	Principal	Interest	Principal	Future Interest Accretion	
2013	\$ 1,980,000	\$ 847,936	\$ 5,283,454	\$ 1,999,050	\$ 10,110,440
2014	2,065,000	757,913	5,383,298	1,812,924	10,019,135
2015	-	711,450	7,378,906	1,501,897	9,592,253
2016	-	711,450	7,335,151	1,114,234	9,160,835
2017	-	711,450	7,273,089	661,340	8,645,879
2018-2020	15,810,000	1,430,325	7,234,749	156,908	24,631,982
Total	<u>\$ 19,855,000</u>	<u>\$ 5,170,524</u>	<u>\$ 39,888,647</u>	<u>\$ 7,246,353</u>	<u>\$ 72,160,524</u>

Capital Leases

The District has agreed to construct, acquire and install certain capital improvements at the Sycamore Canyon Elementary School (the Project) and to finance the Project by leasing the Project to Public Property Financing Corporation of California (the Corporation) pursuant to a Site Lease Agreement dated June 14, 2005, and leasing back from the Corporation the site pursuant to the terms of the Sublease/Option Agreement. The Corporation assigned the Site Lease Agreement and the Sublease/Option Agreement to CitiMortgage, Inc. (the Assignee). The Corporation is required to either deposit or cause to be deposited with the escrow agent the amount to be used to pay the cost of the Project in accordance with the terms and provisions of the Sublease/Option Agreement and as provided in the Escrow Agreement.

	Capital Leases
Balance, July 1, 2011	\$ 2,055,374
Additions	-
Payments	1,370,250
Balance, June 30, 2012	<u>\$ 685,124</u>

The capital leases have minimum lease payments as follows:

Fiscal Year	Lease Payment
2013	\$ 685,124
Less: Amount Representing Interest	14,089
Present Value of Minimum Lease Payments	<u>\$ 671,035</u>

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2012, amounted to \$1,163,783.

Claims Liability

The District has an outstanding long-term obligation for incurred, but not reported, claims for the District's Internal Service Fund in the amount of \$5,738,533.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2012, was \$1,405,621, and contributions made by the District during the year were \$708,809. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$130,487 and 169,767, respectively, which resulted in an increase to the net OPEB obligation of \$657,532. As of June 30, 2012, the net OPEB obligation was \$4,061,560. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 40,300	\$ -	\$ -	\$ 40,300
Stores inventories	160,210	-	83,010	243,220
Prepaid expenditures	103,785	-	-	103,785
Total Nonspendable	<u>304,295</u>	<u>-</u>	<u>83,010</u>	<u>387,305</u>
Restricted				
Legally restricted programs	604,041	-	285,267	889,308
Capital projects	-	-	1,394,798	1,394,798
Debt services	-	8,588,539	-	8,588,539
Total Restricted	<u>604,041</u>	<u>8,588,539</u>	<u>1,680,065</u>	<u>10,872,645</u>
Committed				
Adult education program	-	-	415,587	415,587
Assigned				
Other assignments	<u>2,145,198</u>	<u>-</u>	<u>342,095</u>	<u>2,487,293</u>
Unassigned				
Reserve for economic uncertainties	4,813,266	-	-	4,813,266
Remaining unassigned	9,611,621	-	-	9,611,621
Total Unassigned	<u>14,424,887</u>	<u>-</u>	<u>-</u>	<u>14,424,887</u>
Total	<u>\$ 17,478,421</u>	<u>\$ 8,588,539</u>	<u>\$ 2,520,757</u>	<u>\$ 28,587,717</u>

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Conejo Valley Unified School District. The Plan provides medical and prescription drug benefits to eligible retirees. Membership of the Plan consists of 104 retirees and beneficiaries currently receiving benefits, and 1,438 active plan members. Separate financial statements are not prepared for the Plan.

Contribution Information

For fiscal year 2011-2012, the District contributed \$708,809 to the Plan, of which \$417,856 was used for current premiums and \$290,953 was for implicit subsidy.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 1,405,621
Interest on net OPEB obligation	130,487
Adjustment to annual required contribution	<u>(169,767)</u>
Annual OPEB cost (expense)	1,366,341
Contributions made	<u>(708,809)</u>
Increase in net OPEB obligation	657,532
Net OPEB obligation, beginning of year	<u>3,404,028</u>
Net OPEB obligation, end of year	<u><u>\$ 4,061,560</u></u>

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
2010	\$ 1,224,706	\$ 328,402	26.81%	\$ 2,609,739
2011	1,213,992	419,703	34.57%	3,404,028
2012	1,366,341	708,809	51.88%	4,061,560

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2011	\$ -	\$ 10,906,789	\$ 10,906,789	0%	\$ 112,058,468	9.7%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the July 1, 2011, actuarial valuation, the Projected Unit Credit Cost Method was used. The actuarial assumptions included a five percent investment rate of return, based on assumed long-term return on plan assets or employer assets, as appropriate. Healthcare cost trend rates were assumed at an initial rate of nine percent to an ultimate rate of five percent.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 12 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2012, the District participates in the Ventura County Schools Self-Funding Authority (VCSSFA) for property and liability insurance coverage. See Note 15 for more information on the VCSSFA. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation and Employee Medical Benefits

The District's workers' compensation and health and welfare benefits are recorded in the Internal Service Funds. The purpose of the fund is to administer workers' compensation, and employee medical benefit claims. The District has obtained insurance coverage that will cover claims within the following ranges to supplement its self-insurance program:

Workers' Compensation	\$650,000 per claim up to statutory limits
Medical and prescription drugs	\$260,000 per contract period per person

Claims Liabilities

The District records an estimated liability for workers' compensation, and health and welfare benefits claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2010 to June 30, 2012 (in thousands):

	Workers' Compensation	Health Care	Total
Liability Balance, July 1, 2010	\$ 3,533,703	\$ 441,348	\$ 3,975,051
Claims and changes in estimates	3,507,673	14,194,153	17,701,826
Claims payments	<u>(1,384,979)</u>	<u>(12,589,112)</u>	<u>(13,974,091)</u>
Liability Balance, June 30, 2011	5,656,397	2,046,389	7,702,786
Claims and changes in estimates	1,286,038	13,448,641	14,734,679
Claims payments	<u>(1,286,038)</u>	<u>(13,448,641)</u>	<u>(14,734,679)</u>
Liability Balance, June 30, 2012	<u>\$ 5,656,397</u>	<u>\$ 2,046,389</u>	<u>\$ 7,702,786</u>
Assets available to pay claims at June 30, 2012	<u>\$ 1,359,267</u>	<u>\$ 2,861,514</u>	<u>\$ 4,220,781</u>

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-2012 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2012, 2011, and 2010, were \$6,660,843, \$6,560,528, and \$6,812,254, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

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

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011-2012 was 10.923 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2012, 2011, and 2010, were \$2,345,052, \$2,255,856, and \$2,163,450, respectively, and equal 100 percent of the required contributions for each year.

Social Security

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

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 \$4,095,277 (4.855 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS.). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2012.

Litigation

The District is not currently a party to any legal proceedings.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWERS AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the Ventura County Schools Self-Funding Authority (VCSSFA) public entity risk pool. The District pays an annual premium to the VCSSFA for its property liability coverage. The relationship between the District and the pool is such that it is not a component unit of the District for financial reporting purposes.

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

During the year ended June 30, 2012, the District made payments of \$1,171,970 to VCSSFA for services received.

NOTE 16 - SUBSEQUENT EVENTS

The District issued \$29,140,000 of Tax and Revenue Anticipation Notes dated July 2, 2012, the notes mature on May 1, 2013, and bear 2.00 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the fiscal agent each month beginning February, 2012, until 100 percent of principal and interest due is on account in April, 2013.

NOTE 17 - FISCAL ISSUES RELATING TO BUDGET REDUCTIONS

The State of California continues to suffer the effects of a recessionary economy. California school districts are reliant on the State of California to appropriate the funding necessary to continue the level of educational services expected by the State constituency. With the implementation of education trailer bill Senate Bill 70 (Chapter 7, Statutes of 2011), 39 percent of current year funding has now been deferred to a subsequent period, creating significant cash flow management issues for districts in addition to requiring substantial budget reductions, ultimately impacting the ability of California school districts to meet their goals for educational services.

REQUIRED SUPPLEMENTARY INFORMATION

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
REVENUES				
Revenue limit sources	\$ 108,055,117	\$ 106,952,375	\$ 107,205,596	\$ 253,221
Federal sources	5,766,886	8,371,976	8,114,198	(257,778)
Other State sources	21,662,675	22,548,090	25,498,884	2,950,794
Other local sources	14,853,749	20,546,627	18,901,745	(1,644,882)
Total Revenues ¹	<u>150,338,427</u>	<u>158,419,068</u>	<u>159,720,423</u>	<u>1,301,355</u>
EXPENDITURES				
Current				
Certificated salaries	81,844,363	80,918,858	81,296,631	(377,773)
Classified salaries	21,147,493	22,097,802	23,779,978	(1,682,176)
Employee benefits	33,450,370	33,164,738	37,581,598	(4,416,860)
Books and supplies	6,721,008	14,957,037	6,048,541	8,908,496
Services and operating expenditures	12,928,017	13,334,989	13,442,215	(107,226)
Capital outlay	60,000	25,973	25,973	-
Other outgo	685,889	881,554	881,556	(2)
Total Expenditures ¹	<u>156,837,140</u>	<u>165,380,951</u>	<u>163,056,492</u>	<u>2,324,459</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,498,713)</u>	<u>(6,961,883)</u>	<u>(3,336,069)</u>	<u>(1,023,104)</u>
Other Financing Sources (Uses)				
Transfers in	4,000	6,475	4,000	(2,475)
Transfers out	(2,586,816)	(1,480,973)	(1,480,973)	-
Net Financing Sources (Uses)	<u>(2,582,816)</u>	<u>(1,474,498)</u>	<u>(1,476,973)</u>	<u>(2,475)</u>
NET CHANGE IN FUND BALANCES	<u>(9,081,529)</u>	<u>(8,436,381)</u>	<u>(4,813,042)</u>	<u>3,623,339</u>
Fund Balance - Beginning	<u>22,291,463</u>	<u>22,291,463</u>	<u>22,291,463</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 13,209,934</u>	<u>\$ 13,855,082</u>	<u>\$ 17,478,421</u>	<u>\$ 3,623,339</u>

¹ On behalf payments of \$4,095,277 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 14, Deferred Maintenance Fund, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however, are not included in the original and final General Fund budget.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) - Projected Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ([b - a] / c)</u>
June 30, 2008	\$ -	\$ 9,688,289	\$ 9,688,289	0%	\$ 112,278,996	8.6%
July 1, 2011	-	10,906,789	10,906,789	0%	112,058,468	9.7%

SUPPLEMENTARY INFORMATION

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Adult Education - Basic Grants to States Cluster			
Adult Basic Education - Adult Basic Education and ESL	84.002A	14508	\$ 150,329
Adult Basic Education - Adult Secondary	84.002	13978	11,454
Adult Basic Education - English Literacy and Civics Education	84.002A	14109	116,823
Total Adult Education - Basic Grants to States Cluster			278,606
Carl D. Perkins Vocational and Technical Education Act of 1998 Secondary Education	84.048	14894	75,238
Passed through Ventura County Special Education Local Plan Area:			
Individuals with Disabilities Act (IDEA)			
Special Education (IDEA) Cluster			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	3,411,323
Local Assistance, Part B, Section 611, Private School ISPs	84.027	10115	10,583
Basic Local Assistance ARRA, Part B, Section 611	84.391	15003	119,477
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	94,767
Preschool Local Entitlement, Part B, Section 611 (Age 3-4-5)	84.027A	13682	190,052
Preschool Local Entitlement ARRA, Part B, Section 611	84.391	15002	6,985
Infant Discretionary, Part B, Section 611	84.027A	13459	5,639
Low-Incidence Entitlement, Part B, Section 617	84.048	14894	1,481
Total Special Education (IDEA) Cluster			3,840,307
No Child Left Behind Act (NCLB)			
Title I, Part A Cluster			
Title I, Part A, Basic Grants Low-Income and Neglected - Reallocation Funds	84.010	14981	1,122,440
Title I, Part A - ARRA Basic Grants Low Income and Neglected	84.389	15005	51,914
Total Title I, Part A Cluster			1,174,354

See accompanying note to supplementary information.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Education Jobs Fund	84.410	25152	\$ 1,498,803
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	466,106
Education Technology State Grants Cluster			
Title II, Part D, Enhancing Education Through Technology (EETT), Formula Grants	84.318	14334	3,165
Title II, Part D, Enhancing Education Through Technology (EETT), Competitive Grants	84.318	14368	8,181
ARRA Title II, Part D, Enhancing Education Through Technology, Competitive Grants (EETT)	84.386	15126	226,939
Total Education Technology State Grants Cluster			<u>238,285</u>
Title III Cluster			
Title III, Immigrant Education Program	84.365	15146	35,235
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	260,372
Total Title III Cluster			<u>295,607</u>
Title IV, Part A - Safe and Drug Free Schools and Communities, Formula Grants	84.186	14347	5,668
Total U.S. Department of Education			<u>7,872,974</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education (CDE):			
Child Nutrition Cluster			
Basic School Breakfast Program	10.553	13525	59,433
Especially Needy Breakfast	10.553	13526	381,644
National School Lunch Program	10.555	13524	1,607,492
Meal Supplement	10.555	13396	13,758
Food Distribution	10.555	13524	224,166
Total Child Nutrition Cluster			<u>2,286,493</u>
Total U.S. Department of Agriculture			<u>2,286,493</u>

See accompanying note to supplementary information.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medicaid Cluster			
Medi-Cal Billing Option	93.778	10013	\$ 391,752
Medi-Cal Administrative Activities Program	93.778	10060	299,157
Total Medicaid Cluster			<u>690,909</u>
Total U.S. Department of Health and Human Services			<u>690,909</u>
Total Federal Programs			<u><u>\$ 10,850,376</u></u>

See accompanying note to supplementary information.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2012

ORGANIZATION

The Conejo Valley Unified School District was established on July 1, 1974, and consists of an area comprising approximately 139 square miles. The District operates 17 elementary schools, five middle schools, three high schools, a continuation high school, and an adult education program, an alternate education site, and a preschool program. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Betsy Connolly	President	December 2012
Timothy Stephens, Ed.D.	Vice President	December 2014
Patricia Phelps	Clerk	December 2014
Peggy Buckles	Member	December 2012
Mike Dunn	Member	December 2014

ADMINISTRATION

Jeffrey Baarstad, Ed.D.	Superintendent
Linda Bekeny	Assistant Superintendent, Business Services
Janet Cosaro	Assistant Superintendent, Instructional Services
Timothy Carpenter	Assistant Superintendent, Personnel Services

See accompanying note to supplementary information.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2012**

	Final Report	
	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	1,295	1,297
First through third	3,899	3,897
Fourth through sixth	4,219	4,193
Seventh and eighth	3,027	3,013
Home and hospital	2	3
Special education	249	271
Total Elementary	12,691	12,674
SECONDARY		
Regular classes	6,956	6,939
Continuation education	148	145
Home and hospital	3	3
Special education	214	219
Total Secondary	7,321	7,306
Total K-12	20,012	19,980

See accompanying note to supplementary information.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2012

Grade Level	1982-83	Reduced 1982-83	1986-87	Reduced 1986-87	2011-12	Number of Days		Status
	Actual Minutes	Actual Minutes	Minutes Requirement	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	31,500	29,400	36,000	33,600	35,400	180	N/A	Complied
Grades 1 - 3	44,380	41,421	50,400	47,040				
Grade 1					49,815	180	N/A	Complied
Grade 2					49,815	180	N/A	Complied
Grade 3					49,815	180	N/A	Complied
Grades 4 - 6	53,375	49,817	54,000	50,400				
Grade 4					53,115	180	N/A	Complied
Grade 5					53,115	180	N/A	Complied
Grade 6					53,235	180	N/A	Complied
Grades 7 - 8	53,375	49,817	54,000	50,400				
Grade 7					54,945	180	N/A	Complied
Grade 8					55,395	180	N/A	Complied
Grades 9 - 12	53,375	49,817	64,800	60,480				
Grade 9					64,040	180	N/A	Complied
Grade 10					64,370	180	N/A	Complied
Grade 11					64,100	180	N/A	Complied
Grade 12					64,240	180	N/A	Complied

See accompanying note to supplementary information.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2012.

See accompanying note to supplementary information.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

	(Budget) 2013 ¹	2012	2011	2010
GENERAL FUND ⁴				
Revenues	\$ 137,849,775	\$ 159,720,420	\$ 164,630,078	\$ 165,018,479
Other sources and transfers in	1,400,000	4,000	804,000	2,834,097
Total Revenues and Other Sources	139,249,775	159,724,420	165,434,078	167,852,576
Expenditures	150,469,127	163,056,492	160,356,583	164,562,255
Other uses and transfers out	5,000	1,480,973	2,336,813	2,420,883
Total Expenditures and Other Uses	150,474,127	164,537,465	162,693,396	166,983,138
INCREASE IN FUND BALANCE	\$ (11,224,352)	\$ (4,813,045)	\$ 2,740,682	\$ 869,438
ENDING FUND BALANCE	\$ 6,251,595	\$ 17,475,947	\$ 22,288,992	\$ 19,548,310
AVAILABLE RESERVES ²	\$ 2,950,546	\$ 14,424,887	\$ 17,573,753	\$ 12,410,706
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	1.96%	8.99%	11.04%	7.60%
LONG-TERM OBLIGATIONS	N/A	\$ 71,378,558	\$ 76,406,269	\$ 75,026,689
K-12 AVERAGE DAILY ATTENDANCE AT P-2	20,037	20,012	20,206	20,364

The General Fund balance has decreased by \$2,072,363 over the past two years. The fiscal year 2012-2013 budget projects a decrease of \$11,224,352 (64.23 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in two of the past three years but anticipates incurring an operating deficit during the 2012-2013 fiscal year. Total long-term obligations have decreased by \$3,648,131 over the past two years.

Average daily attendance has decreased by 352 over the past two years. An increase of 25 ADA is anticipated during fiscal year 2012-2013.

¹ Budget 2013 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainty contained within the General Fund.

³ On behalf payments of \$4,095,277, \$3,481,491, and \$3,599,289, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2012, 2011, and 2010, respectively.

⁴ General Fund amounts do not include activity related to the consolidation of the Fund 14, Deferred Maintenance Fund as required by GASB Statement No. 54.

See accompanying note to supplementary information.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012**

	Adult Education Fund	Child Development Fund	Cafeteria Fund
ASSETS			
Deposits and investments	\$ 197,259	\$ 162,343	\$ 43,489
Receivables	143,439	9,175	339,643
Due from other funds	382,037	500,000	288,356
Stores inventories	-	-	83,010
Total Assets	\$ 722,735	\$ 671,518	\$ 754,498
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 307,101	\$ 87,332	\$ 166,161
Due to other funds	47	127,379	505,327
Deferred revenue	-	171,540	-
Total Liabilities	307,148	386,251	671,488
Fund Balances:			
Nonspendable	-	-	83,010
Restricted	-	285,267	-
Committed	415,587	-	-
Assigned	-	-	-
Total Fund Balances	415,587	285,267	83,010
Total Liabilities and Fund Balances	\$ 722,735	\$ 671,518	\$ 754,498

See accompanying note to supplementary information.

Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
\$ 115,584	\$ 91,960	\$ -	\$ 392,162	\$ 1,002,797
2,618	146	-	1,296	496,317
1,250,000	357,000	-	515,624	3,293,017
-	-	-	-	83,010
<u>\$ 1,368,202</u>	<u>\$ 449,106</u>	<u>\$ -</u>	<u>\$ 909,082</u>	<u>\$ 4,875,141</u>
\$ 72,510	\$ -	\$ -	\$ 35,987	\$ 669,091
-	350,000	-	531,000	1,513,753
-	-	-	-	171,540
<u>72,510</u>	<u>350,000</u>	<u>-</u>	<u>566,987</u>	<u>2,354,384</u>
-	-	-	-	83,010
1,295,692	99,106	-	-	1,680,065
-	-	-	-	415,587
-	-	-	342,095	342,095
<u>1,295,692</u>	<u>99,106</u>	<u>-</u>	<u>342,095</u>	<u>2,520,757</u>
<u>\$ 1,368,202</u>	<u>\$ 449,106</u>	<u>\$ -</u>	<u>\$ 909,082</u>	<u>\$ 4,875,141</u>

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012**

	Adult Education Fund	Child Development Fund	Cafeteria Fund
REVENUES			
Federal sources	\$ 278,606	\$ -	\$ 2,286,493
Other State sources	1,545,159	-	176,741
Other local sources	2,429,491	4,136,875	2,543,266
Total Revenues	<u>4,253,256</u>	<u>4,136,875</u>	<u>5,006,500</u>
EXPENDITURES			
Current			
Instruction	3,335,858	-	-
Instruction-related activities:			
School site administration	500,461	-	-
Pupil services:			
Food services	-	-	5,278,991
All other pupil services	73,822	-	-
Administration:			
All other administration	182,674	318,171	-
Plant services	163,467	-	36,789
Facility acquisition and construction	110,735	112,500	-
Enterprise services	-	3,861,335	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	<u>4,367,017</u>	<u>4,292,006</u>	<u>5,315,780</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(113,761)</u>	<u>(155,131)</u>	<u>(309,280)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	5,000	-	287,771
Other sources	-	-	-
Transfers out	-	-	-
Net Financing Sources (Uses)	<u>5,000</u>	<u>-</u>	<u>287,771</u>
NET CHANGE IN FUND BALANCES	(108,761)	(155,131)	(21,509)
Fund Balances - Beginning	524,348	440,398	104,519
Fund Balances - Ending	<u>\$ 415,587</u>	<u>\$ 285,267</u>	<u>\$ 83,010</u>

See accompanying note to supplementary information.

Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 2,565,099
-	-	-	-	1,721,900
262,941	327,683	10	217,231	9,917,497
262,941	327,683	10	217,231	14,204,496
-	-	-	-	3,335,858
-	-	-	-	500,461
-	-	-	-	5,278,991
-	-	-	-	73,822
-	22,192	-	-	523,037
-	-	-	14,372	214,628
1,116,448	160	-	809,049	2,148,892
-	-	-	-	3,861,335
-	943,968	-	357,000	1,300,968
-	69,282	-	-	69,282
1,116,448	1,035,602	-	1,180,421	17,307,274
(853,507)	(707,919)	10	(963,190)	(3,102,778)
4,739	641,294	-	1,115,624	2,054,428
-	-	-	5,000	5,000
-	-	(4,739)	(645,294)	(650,033)
4,739	641,294	(4,739)	475,330	1,409,395
(848,768)	(66,625)	(4,729)	(487,860)	(1,693,383)
2,144,460	165,731	4,729	829,955	4,214,140
\$ 1,295,692	\$ 99,106	\$ -	\$ 342,095	\$ 2,520,757

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2012**

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides 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 consist primarily of Medi-Cal Billing Option funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period.

Description	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 10,679,297
Medi-Cal Billing Option	93.778	171,079
Total Schedule of Expenditures of Federal Awards		<u>\$ 10,850,376</u>

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2012

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

INDEPENDENT AUDITORS' REPORTS



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

Governing Board
Conejo Valley Unified School District
Thousand Oaks, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Conejo Valley Unified School District as of and for the year ended June 30, 2012, which collectively comprise Conejo Valley Unified School District's basic financial statements and have issued our report thereon dated December 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As discussed in the Notes to the basic financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding requirements of the State of California to the K-12 educational community.

Internal Control Over Financial Reporting

Management of Conejo Valley Unified School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Conejo Valley Unified School District's internal control over financial reporting as a basis for designing our auditing procedures 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 Conejo Valley Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Conejo Valley Unified School District's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as items 2012-1 and 2012-2. *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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Conejo Valley 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 responses as items 2012-1, 2012-2 and 2012-3.

We noted certain matters that we reported to management of Conejo Valley Unified School District in a separate letter dated December 7, 2012.

Conejo Valley Unified School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Conejo Valley Unified School District's response and, accordingly, express no opinion on it.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 7, 2012



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board
Conejo Valley Unified School District
Thousand Oaks, California

Compliance

We have audited Conejo Valley Unified School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Conejo Valley Unified School District's major Federal programs for the year ended June 30, 2012. Conejo Valley 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Conejo Valley Unified School District's management. Our responsibility is to express an opinion on Conejo Valley Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Conejo Valley Unified School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Conejo Valley Unified School District's compliance with those requirements.

In our opinion, Conejo Valley Unified School District complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

The management of Conejo Valley Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Conejo Valley Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Conejo Valley Unified School District's internal control over compliance.

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

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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 7, 2012



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
 Conejo Valley Unified School District
 Thousand Oaks, California

We have audited Conejo Valley Unified School District's compliance with the requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2011-2012*, applicable to Conejo Valley Unified School District's government programs as noted below for the year ended June 30, 2012. Compliance with the requirements referred to above is the responsibility of Conejo Valley Unified School District's management. Our responsibility is to express an opinion on Conejo Valley Unified School District's compliance 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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-2012*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Conejo Valley Unified School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Conejo Valley Unified School District's compliance with those requirements.

In our opinion, Conejo Valley Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2012.

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

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten continuance	3	Yes
Independent study	23	Yes
Continuation education	10	Yes, See Below

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Instructional Materials:		
General requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Juvenile Court Schools	8	Not Applicable
Exclusion of Pupils - Pertussis Immunization	2	Yes
Class Size Reduction Program (including in charter schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
Districts or charter schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	3	Not Applicable
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	4	Not Applicable

We did not perform procedures specific to the work experience program, as the District does not operate this program.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, the California Department of Finance, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 7, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>84.367</u>	<u>Title II, Part A - Improving Teacher Quality Local Grants</u>
<u>84.318 and 84.386 (ARRA)</u>	<u>Education Technology State Grants Cluster (Includes ARRA)</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>
<u>93.778</u>	<u>Medicaid Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 325,511</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditors' report issued on compliance for programs:	<u>Unqualified</u>
---	--------------------

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
30000	Internal Control

2012-1 30000

Significant Deficiency – Internal Service Fund Deficit Net Assets

Criteria or Specific Requirements

Industry standards and best business practices related to accounting and internal control require that an entity adopt, implement, and monitor procedures that will allow for timely and accurate reporting of financial information to management and those charged with governance.

Condition

The District has established an Internal Service Fund to account for Workers' Compensation and Health and Welfare expenses and related costs associated with District employees. At June 30, 2012, the Internal Service Fund has a deficit net assets balance in the amount of \$5,784,646.

Questioned costs

There were no questioned costs associated with the condition found.

Context

The condition identified was determined through review and testing related to the District's Internal Service Fund.

Effect

The financial statement impact of this situation is that the Internal Service Fund is operating on a cash basis whereby the cash received from the other funds are enough to cover its current cash outflows. As a result, the District is not projected to significantly reduce this deficit in the upcoming year.

Cause

The District has not previously recognized the entire amount associated with the District's actuarially determined liability related to its workers' compensation.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

Recommendation

The District must continue to evaluate its ability to fund its Workers' Compensation program on an accrual basis within a reasonable period. Accordingly, the District's premium contribution should continue to increase.

Corrective Action Plan

The District will continue to increase the health and welfare rate levied against the salaries of the employees. In addition, the District has implemented cost saving program changes and has increased the employee contribution rates as a means to reduce the deficit fund balance.

2012-2 30000

Significant Deficiency – Budget Monitoring/Deficit Spending (Cafeteria Fund)

Criteria or Specific Requirements

Industry standards and best business practices related to accounting and internal control require that an entity adopt, implement, and monitor procedures that will allow for timely and accurate reporting of financial information to management and those charged with governance.

Condition

The Cafeteria Fund has incurred operating deficits in each of the past three years in the amounts of \$309,280, \$89,570, and \$10,965, for the fiscal years ending June 30, 2012, 2011, and 2010, respectively. The Cafeteria Fund balance has decreased during that time to a current fund balance of \$83,010 of which the entire amount is stores inventory. The practice of deficit spending has lowered the Cafeteria Fund balance to levels that have attributed to the Cafeteria Fund encroaching on the General Fund to maintain daily operations.

Questioned costs

There were no questioned costs associated with the condition found.

Context

The condition identified was determined through review and testing related to the District's Cafeteria Fund.

Effect

The financial statement impact of this situation is that the Cafeteria Fund is currently operating at a deficit and in the current year the Cafeteria Fund has encroached on the General Fund in the amount of \$287,771. If the Cafeteria Fund continues the current trend of deficit spending through operations, the 2012-2013 fiscal year encroachment is estimated in excess of \$300,000.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

Cause

The District Cafeteria Fund operating costs have exceeded their Federal and State reimbursements received over the past few years.

Recommendation

The District must continue to evaluate its Cafeteria operations to decrease the deficit in future years so that the fund will no longer continue to encroach on the General Fund of the District.

Corrective Action Plan

The District has implemented staffing reductions in the Cafeteria Fund to improve fiscal proficiency. In addition, the Assistant Superintendent of Business Services and Cafeteria Director has established, and are monitoring a site-by-site profit/loss analysis.

2012-3 30000

Significant Deficiency – General Fund Deficit Cash Balance

Criteria or Specific Requirements

The governing board of any school district that reported a negative unrestricted fund balance or a negative cash balance in the annual report required by *Education Code* Section 42127 or in the audited annual financial statements required by Section 41020 shall include with the budget submitted in accordance with *Education Code* Section 42127 and the certifications required by *Education Code* Section 35015 a statement that identifies the reasons for the negative unrestricted fund balance or negative cash balance and the steps that have been taken to ensure that the negative balance will not occur at the end of the current fiscal year.

Condition

At June 30, 2012, the District General Fund had a negative cash balance of \$5,141,928.

Questioned costs

There were no questioned costs associated with the condition found.

Context

The condition identified was determined through review and testing related to the District's General Fund deposits and investments.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

Effect

The financial statement impact of this situation is that the District could be at risk of not being able to meet its financial obligations and maintain current service levels if it is unable to obtain short-term cash flow financing timely in the future.

Cause

The cause is related to timing differences with the District issuance of Tax and Revenue Anticipation Notes at year-end.

Recommendation

As this appears to be related to timing differences with the District issuance of Tax and Revenue Anticipation Notes the District should consider issuing a mid-year TRANs to avoid the occurrence of a negative cash balance at year-end.

Corrective Action Plan

The District received cash flow consulting from School Services of California, identified the cause of the negative cash balance and has begun the process of requesting a mid-year TRANs loan.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

CONEJO VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
30000	Internal Control

2011-1 30000

INTERNAL SERVICE FUND – DEFICIT NET ASSETS BALANCE

Findings

The District has established an Internal Service Fund to account for Workers' Compensation and Health and Welfare expenses and related costs associated with District employees. At June 30, 2011, the Internal Service Fund has a deficit net assets balance in the amount of \$4,565,010. The financial statement impact of this situation is that the Internal Service Fund is operating on a cash basis whereby the cash received from the other funds are enough to cover its current cash outflows. As a result, the District is not projected to significantly reduce this deficit in the upcoming year.

Recommendation

The District must continue to evaluate its ability to fund the Workers' Compensation and Health and Welfare programs on an accrual basis within a reasonable period. Accordingly, the District's premium contribution should continue to increase.

Current Status

Not implemented, see current year finding 2012-1.



Governing Board
Conejo Valley Unified School District
Thousand Oaks, California

In planning and performing our audit of the financial statements of Conejo Valley Unified School District (the District), for the year ended June 30, 2012, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit we followed up on the prior year findings and recommendations as noted below. This letter does not affect our report dated December 7, 2012, on the government-wide financial statements of Conejo Valley Unified School District.

2011-2012 OBSERVATIONS AND RECOMMENDATIONS

SYCAMORE CANYON MIDDLE SCHOOL

Revenue Potential Forms

Observation

Revenue potential forms are not being used to document and control fundraising activities as they occur. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

Recommendation

As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue, and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success, or failure, of the completed project. The revenue potential also indicates weak control areas in the fundraising procedures at the site, including lost or stolen merchandise, problems with collecting all monies due and so forth. The revenue potential form used at the site should contain four major elements. These are:

1. Potential Income - This lists the selling price of the item multiplied by the number of items purchased to compute the total income that should be deposited from this fundraiser if all the items were sold and all the money was turned in. This element should also be utilized to track the cost of the items, check numbers used to purchase the items, and the purchase dates. This purchasing information is a good reference source for future sales and also tracks to cost so that profits can be determined.

2. Receipts/Fundraiser Deposits - This record all deposits turned in which are from funds generated from the sale. The receipt number issued to the advisor, date, and deposit amount should be logged. This is necessary to be able to recap the deposits of the sale and to trace these deposits to the appropriate accounts at the end of the sale to the appropriate accounts to ensure that all postings were correct.
3. Analysis - This section is used to compare the potential income as calculated in the Potential Income section to the actual funds raised as calculated in the Receipts/Fundraiser Deposits section. The difference between these two amounts should be documented and explained. The explanation can consist of merchandise not sold, merchandise lost or destroyed, or funds lost or stolen.
4. Recap - This section figures the net profit of the sale. Further fundraisers of this type can be planned or canceled depending on the information calculated in this section.

ASSOCIATED STUDENT BODY ACCOUNTS (ASB)

Thousand Oaks High School

Negative Club Accounts

Observation

In reviewing the financial statements for the ASB accounts, the auditor noted that five had negative balances. Since the ASB accounts represent individual portions of the cash and asset pool, by some having negative balances, the accounts have, in actuality spent the available funds of other accounts. A key control in any internal control system is the control of expenditures by ensuring the expenditure is allowable and that the account requesting the expenditure has the funds to cover it. This control feature has not been sufficiently followed.

Recommendation

The site bookkeeper has a fiduciary responsibility to all student body organizations to act in each group's best interest. By allowing certain clubs to spend in excess of their available reserves, the bookkeeper is not meeting this responsibility to the other clubs and organizations. Request for disbursements from student groups should be reviewed for appropriateness and also to ensure that funds are available in the groups account.

Stale Dated Checks

Observation

In reviewing the sites outstanding check listing for the months of September, October, and November bank reconciliations, the auditor that numerous checks were over six months old making the probability of them clearing the account quite low.

Recommendation

Outstanding checks over six months old should be credited back to the appropriate account and taken off the subsequent bank reconciliations. Although the chances are low, the check may clear on a subsequent bank statement. In this case, the amount should be charged against the appropriate account and described as "outstanding check written off-cleared".

Governing Board
Conejo Valley Unified School District

Segregation of Duties

Observation

There appears to be a lack of segregation of duties at the site. The ASB bookkeeper is currently listed as one of the authorized signers of the bank account. While checks are required to have two signatures this is considered a significant risk.

Recommendation

The site should provide for adequate segregation of duties such as checks should be signed by personnel independent of the check writing and safekeeping function. The bookkeeper should be removed from the list of authorized signers.

COLINA MIDDLE SCHOOL

No Reconciliation/Statements

Observation

In reviewing the bank accounts held by the ASB, the auditor noted the ASB has two bank accounts, a Money Market Account and a Public Fund Interest Checking account both held at California United Bank. However only the Money Market Account is being reconciled as it is used to process all ASB activities. The auditor noted that the monthly bank statements were not reconciled for the Public Interest Checking Account. This makes it difficult for the site to be aware of their available cash balance or if the financial records of the clubs accurately reflect true financial information.

Recommendation

Monthly bank reconciliations must be prepared for all bank accounts in order to ensure that the cash balance reported on the books is accurate. Besides reconciling the cash accounts, the balances of the ASB accounts should be totaled and compared to this reconciled cash amount to ensure that the two amounts are equal.

Band Loan Receivable

Observation

In reviewing the bank reconciliations and balance sheet, the auditor noted there was a \$9,402.94 band loan receivable dated back to approximately seven years ago. No documentation was available to review supporting this loan receivable and as such could not be verified whether or not it was valid.

Recommendation

Without the control document of any loans made to the different clubs, club spending might deplete the group account causing deficit spending. The District should review for accuracy and completeness on a monthly basis all the financials provided by the site. The District should also provide the sites with the ASB manual that details all the guidelines relating to ASB activities.

Orientation Change Fund

Observation

In reviewing the bank reconciliations and balance sheet prepared by the ASB clerk, the auditor noted there was a \$30 orientation change fund recorded in the financials that did not have any supporting documentation. Furthermore, that amount was not at hand for the auditor to verify. Without the control document for any change fund it becomes difficult to account for all the cash held by the site.

Recommendation

The District should have a system of accounting for all the cash held at sites, and on a periodic basis, perform unexpected visits to the different sites to verify the cash on hand. Financial statements should also be reviewed by appropriate personnel to verify the completeness and accuracy of all the information that has been posted on the financial statements.

Deposit in Transit

Observation

In reviewing the bank accounts held by the ASB, the auditor noted there was a deposit in transit of \$1,549 in the December 2011 bank reconciliation which could not be verified whether it had been credited in the subsequent statements.

Recommendation

All deposits should have supporting documentation that can be reviewed at any time. Review should involve identifying all posted amounts to the general ledger and checking them against the bank statements and reconciliations. This helps identify any amounts that either need to be followed up on or written off.

Stale Dated Non-Sufficient Fund Receivable

Observation

In reviewing the sites outstanding receivables listing for the October, November and December reconciliation, the auditor noted numerous checks were over six months old making the probability of them clearing the account quite low.

Recommendation

Outstanding receivables over six months old should be written off and taken off the subsequent bank reconciliations. Although the chances are low, the check may clear on a subsequent bank statement. In this case, the amount should be charged against the appropriate account and described as "outstanding receivable written off-cleared".

Revenue Potentials

Observation

Revenue potential forms are not being used to document and control fundraising activities as they occur. The auditor noted instances where they are being filled out after the event has occurred. Revenue potential forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

Recommendations

As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fundraising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due and so forth. The revenue potential form used at the site should contain four major elements. These are:

1. Potential Income - This lists the selling price of the item multiplied by the number of items purchased to compute the total income that should be deposited from this fundraiser if all the items were sold and all the money was turned in. This element should also be utilized to track the cost of the items, check numbers used to purchase the items, and the purchase dates. This purchasing information is a good reference source for future sales and also tracks to cost so that profits can be determined.
2. Receipts/Fundraiser Deposits - This record all deposits turned in which are from funds generated from the sale. The receipt number issued to the advisor, date, and deposit amount should be logged. This is necessary to be able to recap the deposits of the sale and to trace these deposits to the appropriate accounts at the end of the sale to the appropriate accounts to ensure that all postings were correct.
3. Analysis - This section is used to compare the potential income as calculated in the Potential Income section to the actual funds raised as calculated in the Receipts/Fundraiser Deposits section. The difference between these two amounts should be documented and explained. The explanation can consist of merchandise not sold, merchandise lost or destroyed, or funds lost or stolen.
4. Recap - This section figures the net profit of the sale. Further fundraisers of this type can be planned or canceled depending on the information calculated in this section.

Master Ticket Reports and Logs

Observation

A master ticket log is not being used by the sites to account for all tickets on hand and used during the year. In addition, ticket sales recap forms are not prepared which calculates the number of tickets sold and the total revenue generated based on the selling price per ticket.

Recommendation

A master ticket log should be maintained which notes the type of ticket, color, and current beginning ticket number in the role. The tickets should be safeguarded as if they were cash, because stolen tickets would equate to lost revenue for the site because these tickets could be presented for admission rather than an individual paying for admission. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the form should be reconciled to the log.

ASB Disbursements

Observation

During review of the ASB disbursements it was noted that there were instances where the purchase request form was missing pertinent information such as all the required signatures and the date or request.

Recommendation

Before checks are written, a check request form should be completed and include the required authorization signatures as outlined in California *Educational Code* Section 48933(5)(b).

Observation

The ASB disbursements were not always approved by ASB council prior to the purchase. The auditor noted there were instances where checks had been written before the approval date on the request to purchase form. Without the control document of a purchase request form, club spending might deplete the group account causing deficit spending.

Recommendation

All payments made using ASB funds must be approved prior to the actual purchase and should be accompanied by a purchase order where applicable, and signed receiving documentation. This reduces the risk of unauthorized spending. Purchase orders provide clubs with documentation of items requested that could then be checked to the check stubs to determine the accuracy and completeness, giving the clubs better control over their spending and inventory.

Blue Bear Receipting and Reconciling Procedures

Observation

The ASB uses the Blue Bear Track system which has the ability to generate different reports needed by the auditors to perform their audit, however, at the time of audit it was noted that no receipts were generated from the Tracks system for all the cash collections that were made for the months of October, November and December 2011. It appears that the site does not provide adequate controls over cash receipts. Because no prenumbered receipts are issued from the system there is no reconciliation between issued receipts and bank deposits.

Recommendation

Prenumbered receipts should be issued for all cash collections by the site bookkeeper that would include a specific description of the source of the funds. The receipts should be totaled and reconciled to the current bank deposit. Obviously, a system to mark the last receipt which corresponds to a deposit must be started in order to know which receipts are related to the current bank deposit. The basic premise of a cash receipts system is that the receipts are written at the time the cash is collected.

ASB Minutes

Observation

The minutes of the ASB Student Council meetings are not complete/recorded and signed by the ASB officials as suggested in the "Accounting Procedures for Student Organizations" manual, as prepared by the School Business Services Division of the California Department of Education.

Recommendation

The Department of Education's manual suggests that minutes be taken and filed which includes details of the meeting including budgeting procedures, fund raising discussions, and approval of expenditures. In addition, any motion which is presented and voted on must include the individual's name who presented the motion, the person who seconded it and the final vote on the motion.

SITE CASH COLLECTIONS

Colina Middle School

Petty Cash-library

Observation

During the test of site cash at the library, the auditor noted there was \$129.50 that was held by personnel as petty cash. Documentation that this amount was approved by the District was not available.

Recommendation

The District must approve all petty cash amounts used by all sites. This provides adequate control over all the cash held by the site and keeps them accountable for the cash they are in custody of.

Cash Collections

Observation

During our audit of site cash collection procedures, the auditor noted the following:

1. Monies are refunded from cash awaiting deposit rather than being disbursed via an ASB check.
2. The transmittal of cash collections to the District office is not always timely.

Recommendation

1. Procedures should be implemented whereby refunds are distributed only after proper documentation and approvals have been obtained. Refunds should never be paid from cash on hand as this money should be reconciled to receipts issued and deposited intact to the District.
2. Site cash collections should be transmitted to the District office on a regular basis. The frequency would depend on the amount on hand, but at least monthly.

Site Cash-Library

Observation

Prenumbered receipts are not being used for the collection of money received for fines for library books or other funds, which subsequently should be forwarded to the District office. The cash on hand at the site as of our audit date amounted to \$79.75. According to the librarian, this amount has been held for over a year. Furthermore, this amount could not be reconciled to any receipts, as there was no documentation to support the amount on hand.

Recommendation

As with the necessity to receipt and reconcile receipts to bank deposits for the student body funds, the same procedure should be followed for the funds subsequently forwarded to the District office for all library fines. The funds should be forwarded in a timely manner.

Madrona Elementary

Timely Deposits

Observation

Deposits are not being made timely by the librarian to the District. This results in cash balances being maintained at the site which severely decreases the safeguarding of the asset. The cash on hand at the site as of our audit date amounted to \$210. According to the librarian, this amount has been held for over four years. Furthermore, this amount could not be reconciled to any receipts, as there was no documentation to support the amount on hand.

Recommendation

At a minimum, deposits should be made monthly to the District to minimize the amount of cash held at the site. During weeks of high cash activity there may be a need to make more than one deposit to the District. In addition all cash collected should be receipted and a copy of the receipt sent with the cash to the District for easy reconciliation of the funds collected. The District should establish guidelines for this procedure including the maximum cash on hand that should be maintained at the site. The ultimate responsibility, however, will reside with the librarian to make the deposits timely.

2010-2011 OBSERVATIONS AND RECOMMENDATIONS

EARTH'S ELEMENTARY SCHOOL

Cash Receipting and Reconciling Procedures

Observation

It appears that the site does not provide adequate controls over cash receipts. Pre-numbered receipts are not used to account for cash collections and, therefore, there is no reconciliation between issued receipts and bank deposits.

Recommendation

Pre-numbered receipts should be issued for all cash collections by teachers, advisors, and the site bookkeeper who would include a specific description of the source of the funds. A carbon copy of the receipts issued by the teachers and advisors should be forwarded with the cash to the bookkeeper as documentation that all monies collected have been turned in. The receipts issued to teachers and advisors from the bookkeeper should be totaled and reconciled to the current bank deposit. A system to mark the last receipt which corresponds to a deposit must be started in order to know which receipts are related to the current bank deposit. The basic premise of a cash receipt system is that receipts are written at the time the cash is collected and not at the time the deposit is being made. If the receipts were written at this time, the bookkeeper would have no way of knowing if money is misplaced or has been stolen.

Current Status

Implemented.

SYCAMORE CANYON MIDDLE SCHOOL

Revenue Potential Forms

Observation

Revenue potential forms are not being used to document and control fund-raising activities as they occur. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

Recommendation

As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue, and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fund-raising procedures at the site, including lost or stolen merchandise, problems with collecting all monies due and so forth. The revenue potential form used at the site should contain four major elements. These are:

1. Potential Income - This lists the selling price of the item multiplied by the number of items purchased to compute the total income that should be deposited from this fundraiser if all the items were sold and all the money was turned in. This element should also be utilized to track the cost of the items, check numbers used to purchase the items, and the purchase dates. This purchasing information is a good reference source for future sales and also tracks to cost so that profits can be determined.
2. Receipts/Fundraiser Deposits - This record all deposits turned in which are from funds generated from the sale. The receipt number issued to the advisor, date, and deposit amount should be logged. This is necessary to be able to recap the deposits of the sale and to trace these deposits to the appropriate accounts at the end of the sale to the appropriate accounts to ensure that all postings were correct.
3. Analysis - This section is used to compare the potential income as calculated in the Potential Income section to the actual funds raised as calculated in the Receipts/Fundraiser Deposits section. The difference between these two amounts should be documented and explained. The explanation can consist of merchandise not sold, merchandise lost or destroyed, or funds lost or stolen.
4. Recap - This section figures the net profit of the sale. Further fundraisers of this type can be planned or canceled depending on the information calculated in this section.

Current Status

Not implemented, see current year observations.

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

VavrineK, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 7, 2012