

**LA MESA-SPRING VALLEY  
SCHOOL DISTRICT**

**AUDIT REPORT**  
**JUNE 30, 2014**

**San Diego**

**Los Angeles**

**San Francisco  
Bay Area**

**christy**  **white**  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
OF SAN DIEGO COUNTY**

**LA MESA, CALIFORNIA**

**JUNE 30, 2014**

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La Mesa-Spring Valley School District was formed in 1915 and is located in the eastern portion of San Diego County. The District encompasses approximately 26 square miles including the City of La Mesa, a portion of the City of El Cajon and the unincorporated communities of Mt. Helix, Casa de Oro, and Spring Valley. There were no changes in the boundaries of the District during the current year. The District currently operates seventeen elementary schools and four middle schools.

**GOVERNING BOARD**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Emma Turner	President	December, 2016
Rick Winet	Vice President	December, 2014
Bill Baber	Clerk	December, 2016
Bob Duff	Member	December, 2014
Jerry Lecko	Member	December, 2014

**DISTRICT ADMINISTRATORS**

Brian E. Marshall  
*Superintendent*

Karen Walker  
*Assistant Superintendent, Instruction*

Tina Sardina  
*Assistant Superintendent, Human Resources*

Lori Wigg  
*Assistant Superintendent, Business Services*

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

Christy White, CPA

Michael Ash, CPA

Tanya M. Rogers, CPA, CFE

John Whitehouse, CPA

Heather Rubio

SAN DIEGO

LOS ANGELES

SAN FRANCISCO/BAY AREA

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*Licensed by the California  
State Board of Accountancy*

Governing Board  
La Mesa-Spring Valley School District  
La Mesa, California

### **Report on the Financial Statements**

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinions*

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

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 11, the budgetary comparison information on page 50, and the schedule of funding progress on page 51 be presented to supplement the basic financial statements. Such information, although not 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 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.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the La Mesa-Spring Valley School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014 on our consideration of La Mesa-Spring Valley School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering La Mesa-Spring Valley School District's internal control over financial reporting and compliance.

*Christy White Associates*

San Diego, California  
December 9, 2014



**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**INTRODUCTION**

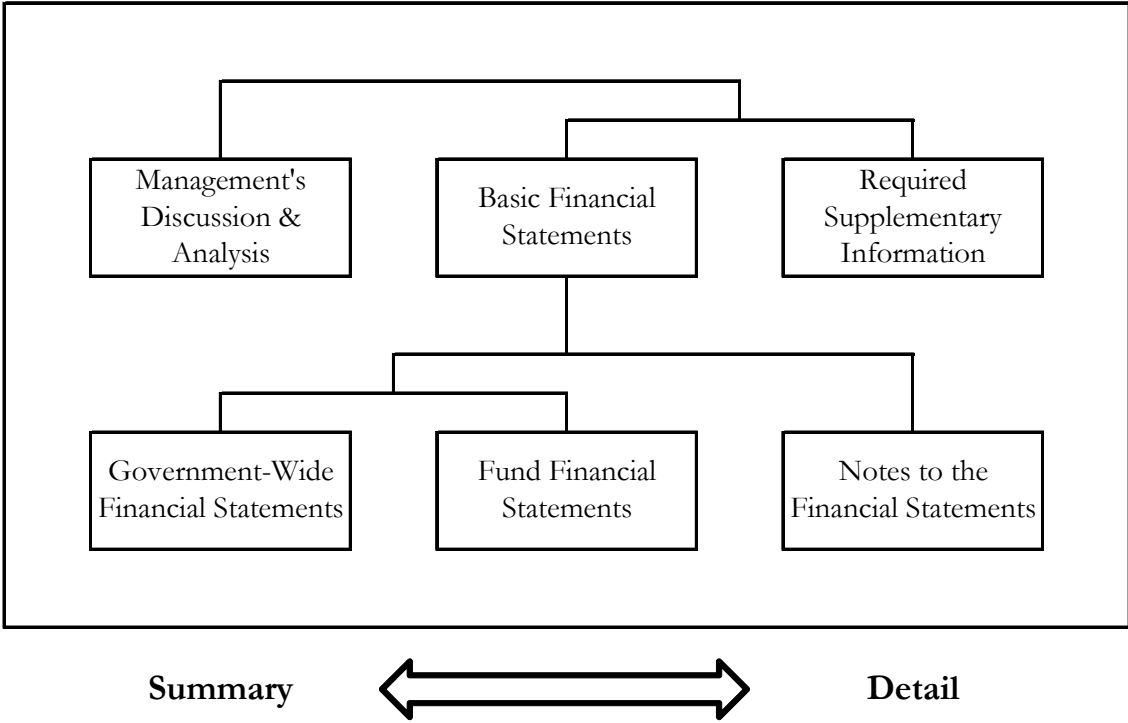
Our discussion and analysis of La Mesa-Spring Valley School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2014. It should be read in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- ▶ Total net position was \$33,441,485 at June 30, 2014. This was a decrease of \$4,757,409 from the prior year's net position.
- ▶ Overall revenues were \$110,009,958 which was exceeded by expenses of \$114,767,367.
- ▶ General Fund revenues and other financing sources were exceeded by expenditures and other financing uses by \$1,905,392.

**OVERVIEW OF FINANCIAL STATEMENTS**

**Components of the Financials Section**



LA MESA-SPRING VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2014

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This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
  
- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
  - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
  - ▶ **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.
  - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

### **Government-Wide Statements**

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

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Revenue limit funding and federal and state grants finance most of these activities.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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

**Net Position**

The District had net position of \$33,184,466 related to governmental activities and \$257,019 related to business-type activities at June 30, 2014 as shown below:

	<b>Governmental Activities</b>			<b>Business-Type Activities</b>		
	<b>2014</b>	<b>2013</b>	<b>Net Change</b>	<b>2014</b>	<b>2013</b>	<b>Net Change</b>
<b>ASSETS</b>						
Current and other assets	\$ 24,347,777	\$ 28,051,917	\$ (3,704,140)	\$ 421,419	\$ 338,330	\$ 83,089
Capital assets	74,575,302	75,441,050	(865,748)	-	-	-
<b>Total Assets</b>	<b>98,923,079</b>	<b>103,492,967</b>	<b>(4,569,888)</b>	<b>421,419</b>	<b>338,330</b>	<b>83,089</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,173,735</b>	<b>-</b>	<b>1,173,735</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>						
Current liabilities	12,936,213	14,497,599	(1,561,386)	164,400	140,506	23,894
Long-term liabilities	53,976,135	50,994,298	2,981,837	-	-	-
<b>Total Liabilities</b>	<b>66,912,348</b>	<b>65,491,897</b>	<b>1,420,451</b>	<b>164,400</b>	<b>140,506</b>	<b>23,894</b>
<b>NET POSITION</b>						
Net investment in capital assets	37,806,227	39,507,533	(1,701,306)	-	-	-
Restricted	7,545,698	5,730,878	1,814,820	-	-	-
Unrestricted	(12,167,459)	(7,237,341)	(4,930,118)	257,019	197,824	59,195
<b>Total Net Position</b>	<b>\$ 33,184,466</b>	<b>\$ 38,001,070</b>	<b>\$ (4,816,604)</b>	<b>\$ 257,019</b>	<b>\$ 197,824</b>	<b>\$ 59,195</b>

**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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

**Changes in Net Position**

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The following table takes the information from the Statement, rounds off the numbers, and rearranges them slightly, so you can see our total revenues, expenses, and special items for the year.

The District's total revenues relating to governmental activities were \$106,230,585, primarily from federal and state aid and categorical programs and property taxes.

The District's total expenditures relating to governmental activities were \$111,047,189, predominately related to educating and caring for students.

	Governmental Activities			Business-Type Activities		
	2014	2013	Net Change	2014	2013	Net Change
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 2,373,340	\$ 2,367,486	\$ 5,854	\$ 3,563,399	\$ 3,331,547	\$ 231,852
Operating grants and contributions	19,519,837	21,621,662	(2,101,825)	7,386	6,727	659
General revenues						
Property taxes	25,997,087	25,932,118	64,969	-	-	-
Unrestricted federal and state aid	55,183,161	51,292,943	3,890,218	-	-	-
Other	3,157,160	909,401	2,247,759	208,588	196,097	12,491
<b>Total Revenues</b>	<b>106,230,585</b>	<b>102,123,610</b>	<b>4,106,975</b>	<b>3,779,373</b>	<b>3,534,371</b>	<b>245,002</b>
<b>EXPENSES</b>						
Instruction	64,285,619	61,652,759	2,632,860	-	-	-
Instruction-related services	10,643,598	10,381,215	262,383	-	-	-
Pupil services	15,629,818	15,341,447	288,371	-	-	-
General administration	4,127,562	3,905,639	221,923	-	-	-
Plant services	8,273,077	7,918,049	355,028	-	-	-
Ancillary and community services	1,631,821	1,524,083	107,738	-	-	-
Debt service	2,026,383	2,083,484	(57,101)	-	-	-
Other Outgo	106,406	71,852	34,554	-	-	-
Depreciation	4,304,712	4,006,191	298,521	-	-	-
Other	18,193	10,410	7,783	3,720,178	3,805,356	(85,178)
<b>Total Expenses</b>	<b>111,047,189</b>	<b>106,895,129</b>	<b>4,152,060</b>	<b>3,720,178</b>	<b>3,805,356</b>	<b>(85,178)</b>
<b>Change in net position</b>	<b>(4,816,604)</b>	<b>(4,771,519)</b>	<b>(45,085)</b>	<b>59,195</b>	<b>(270,985)</b>	<b>330,180</b>
<b>Net Position - Beginning</b>	<b>38,001,070</b>	<b>42,772,589</b>	<b>(4,771,519)</b>	<b>197,824</b>	<b>468,809</b>	<b>(270,985)</b>
<b>Net Position - Ending</b>	<b>\$ 33,184,466</b>	<b>\$ 38,001,070</b>	<b>\$ (4,816,604)</b>	<b>\$ 257,019</b>	<b>\$ 197,824</b>	<b>\$ 59,195</b>

**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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

**Changes in Net Position (continued)**

The net cost of services for governmental activities was \$89,154,012 in the current year compared to \$82,905,981 in the prior year as shown below:

	<b>Net Cost of Services</b>	
	<b>2014</b>	<b>2013</b>
Instruction	\$ 53,889,322	\$ 51,178,802
Instruction-related services	9,277,060	8,555,459
Pupil services	7,280,575	5,408,199
General administration	3,665,593	3,460,742
Plant services	8,077,983	7,917,153
Ancillary and community services	521,990	223,668
Debt service	2,026,383	2,083,484
Transfers to other agencies	106,406	71,447
Depreciation	4,304,712	4,006,191
Other	3,988	836
<b>Total Expenses</b>	<b>\$ 89,154,012</b>	<b>\$ 82,905,981</b>

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$15,184,332, which is less than last year's ending fund balance of \$16,436,086. The District's General Fund had \$4,838,652 less in operating revenues than expenditures for the year ended June 30, 2014, offset by other financing sources of \$2,933,260, leading to a decrease in fund balance of \$1,905,392 from the prior year. The District's Bond Interest and Redemption Fund had \$95,993 less in operating revenues than expenditures for the year ended June 30, 2014, offset by net financing sources of \$1,426,740, leading to an increase in fund balance of \$157,012 from the prior year.

**CURRENT YEAR BUDGET 2013-14**

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2013-14 the District had invested \$74,575,302 in capital assets, net of accumulated depreciation. The District had multiple small projects in 2013-14 that were more than offset by the depreciation expense on capital assets, leading to a decrease in capital assets of \$865,748 from the prior year.

	<b>Governmental Activities</b>		
	<b>2014</b>	<b>2013</b>	<b>Net Change</b>
<b>CAPITAL ASSETS</b>			
Land	\$ 16,201,920	\$ 16,201,920	\$ -
Construction in progress	410,876	586,772	(175,896)
Land improvements	5,626,522	5,451,520	175,002
Buildings & improvements	99,079,821	98,533,825	545,996
Furniture & equipment	11,802,313	8,908,451	2,893,862
Accumulated depreciation	(58,546,150)	(54,241,438)	(4,304,712)
<b>Total Capital Assets</b>	<b>\$ 74,575,302</b>	<b>\$ 75,441,050</b>	<b>\$ (865,748)</b>

**Long-Term Debt**

At year-end, the District had \$53,976,135 in long-term liabilities– as shown below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	<b>Governmental Activities</b>		
	<b>2014</b>	<b>2013</b>	<b>Net Change</b>
<b>LONG-TERM LIABILITIES</b>			
Total general obligation bonds	\$ 43,196,334	\$ 42,630,814	\$ 565,520
Capital leases	2,320,354	54,653	2,265,701
Early retirement incentive	506,006	1,012,012	(506,006)
Compensated absences	831,403	821,663	9,740
Net OPEB obligation	10,758,021	8,899,945	1,858,076
Less: current portion of long-term debt	(3,635,983)	(2,424,789)	(1,211,194)
<b>Total Long-term Liabilities</b>	<b>\$ 53,976,135</b>	<b>\$ 50,994,298</b>	<b>\$ 2,981,837</b>

**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the new Local Control Funding Formula (LCFF). The District continues to analyze the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The State anticipates all school districts to reach the statewide targeted base funding levels by 2020-21, but the annual amount funded to meet the target is uncertain.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting new compliance and audit requirements.

The State's economy is expected to grow at a modest rate of about 3% annually over the next two years, according to the UCLA Anderson Economic Forecast for September 2014. In the California forecast, Senior Economist Jerry Nickelsburg writes, "The California economy is moving forward in an expansion from the depths of the Great Recession. But, even though the number of jobs is now higher than any time in the past, the state remains below its potential in output and employment. That we are entering the sixth year of expansion illustrates just how painfully plodding this recovery process has been." The ability of the State to fund the LCFF and other programs is largely dependent on the strength of the State's economy and remains uncertain.

GASB 68, *Accounting and Financial Reporting for Pensions*, will be effective in the following fiscal year, 2014-15. The new standard requires the reporting of annual pension cost using an actuarially determined method and a net pension liability is expected to result. The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability will be reported in the Statement of Net Position as of June 30, 2015. The amount of the liability is unknown at this time but is anticipated to be material to the financial position of the District. To address the underfunding issues, the pension plans intend to raise employer rates in future years and the increased costs could be significant.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2014-15 fiscal year.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Business Office, La Mesa-Spring Valley School District, 4750 Date Avenue; La Mesa, CA 91942.



**LA MESA-SPRING VALLEY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	<b>Governmental</b>	<b>Business-Type</b>	<b>Total</b>
	<b>Activities</b>	<b>Activities</b>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 12,954,190	\$ 888,551	\$ 13,842,741
Accounts receivable	10,728,728	908	10,729,636
Internal balances	468,040	(468,040)	-
Inventory	196,819	-	196,819
Capital assets, not depreciated	16,612,796	-	16,612,796
Capital assets, net of accumulated depreciation	57,962,506	-	57,962,506
<b>Total Assets</b>	98,923,079	421,419	99,344,498
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount on refunding	1,173,735	-	1,173,735
<b>LIABILITIES</b>			
Accrued liabilities	2,183,400	164,400	2,347,800
Current loans	6,959,568	-	6,959,568
Unearned revenue	157,262	-	157,262
Long-term liabilities, current portion	3,635,983	-	3,635,983
Long-term liabilities, non-current portion	53,976,135	-	53,976,135
<b>Total Liabilities</b>	66,912,348	164,400	67,076,748
<b>NET POSITION</b>			
Net investment in capital assets	37,806,227	-	37,806,227
Restricted:			
Capital projects	759,724	-	759,724
Debt service	3,115,058	-	3,115,058
Educational programs	2,466,230	-	2,466,230
All others	1,204,686	-	1,204,686
Unrestricted	(12,167,459)	257,019	(11,910,440)
<b>Total Net Position</b>	\$ 33,184,466	\$ 257,019	\$ 33,441,485

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

**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>						
Instruction	\$ 64,285,619	\$ 11,965	\$ 10,384,332	\$ (53,889,322)	\$ -	\$ (53,889,322)
Instruction-related services						
Instructional supervision and administration	2,695,692	2,339	1,308,952	(1,384,401)	-	(1,384,401)
Instructional library, media, and technology	2,187,759	-	6,984	(2,180,775)	-	(2,180,775)
School site administration	5,760,147	1,195	47,068	(5,711,884)	-	(5,711,884)
Pupil services						
Home-to-school transportation	3,353,450	-	245,232	(3,108,218)	-	(3,108,218)
Food services	5,596,365	949,951	4,748,478	102,064	-	102,064
All other pupil services	6,680,003	85,839	2,319,743	(4,274,421)	-	(4,274,421)
General administration						
Centralized data processing	776,267	-	-	(776,267)	-	(776,267)
All other general administration	3,351,295	90,627	371,342	(2,889,326)	-	(2,889,326)
Plant services	8,273,077	193,524	1,570	(8,077,983)	-	(8,077,983)
Ancillary services	430,468	-	84,517	(345,951)	-	(345,951)
Community services	1,201,353	1,023,695	1,619	(176,039)	-	(176,039)
Enterprise activities	18,193	14,205	-	(3,988)	-	(3,988)
Interest on long-term debt	2,026,383	-	-	(2,026,383)	-	(2,026,383)
Other Outgo	106,406	-	-	(106,406)	-	(106,406)
Depreciation (unallocated)	4,304,712	-	-	(4,304,712)	-	(4,304,712)
<b>Total Governmental Activities</b>	<b>\$ 111,047,189</b>	<b>\$ 2,373,340</b>	<b>\$ 19,519,837</b>	<b>(89,154,012)</b>		
<b>BUSINESS-TYPE ACTIVITIES</b>						
Enterprise activities	3,720,178	3,563,399	7,386		(149,393)	
<b>Total Business-Type Activities</b>	<b>3,720,178</b>	<b>3,563,399</b>	<b>7,386</b>		<b>(149,393)</b>	
<b>Total School District</b>	<b>\$ 114,767,367</b>	<b>\$ 5,936,739</b>	<b>\$ 19,527,223</b>			<b>(89,303,405)</b>
General revenues						
Taxes and subventions						
Property taxes, levied for general purposes				22,855,799	-	22,855,799
Property taxes, levied for debt service				3,103,743	-	3,103,743
Property taxes, levied for other specific purposes				37,545	-	37,545
Federal and state aid not restricted for specific purposes				55,183,161	-	55,183,161
Interest and investment earnings				112,471	-	112,471
Interagency revenues				9,637	-	9,637
Miscellaneous				3,035,052	208,588	3,243,640
<b>Subtotal, General Revenue</b>				<b>84,337,408</b>	<b>208,588</b>	<b>84,545,996</b>
<b>CHANGE IN NET POSITION</b>				<b>(4,816,604)</b>	<b>59,195</b>	<b>(4,757,409)</b>
<b>Net Position - Beginning</b>				<b>38,001,070</b>	<b>197,824</b>	<b>38,198,894</b>
<b>Net Position - Ending</b>				<b>\$ 33,184,466</b>	<b>\$ 257,019</b>	<b>\$ 33,441,485</b>

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

LA MESA-SPRING VALLEY SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2014

	General Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,241,828	\$ 3,115,058	\$ 1,597,304	\$ 12,954,190
Accounts receivable	9,833,911	-	894,817	10,728,728
Due from other funds	784,953	-	4,242	789,195
Stores inventory	141,565	-	55,254	196,819
<b>Total Assets</b>	<b>\$ 19,002,257</b>	<b>\$ 3,115,058</b>	<b>\$ 2,551,617</b>	<b>\$ 24,668,932</b>
<b>LIABILITIES</b>				
Accrued liabilities	\$ 1,966,278	\$ -	\$ 80,337	\$ 2,046,615
Due to other funds	36,113	-	285,042	321,155
Current loans	6,959,568	-	-	6,959,568
Unearned revenue	6,131	-	151,131	157,262
<b>Total Liabilities</b>	<b>8,968,090</b>	<b>-</b>	<b>516,510</b>	<b>9,484,600</b>
<b>FUND BALANCES</b>				
Nonspendable	185,215	-	55,254	240,469
Restricted	2,459,919	3,115,058	1,979,853	7,554,830
Assigned	3,460,084	-	-	3,460,084
Unassigned	3,928,949	-	-	3,928,949
<b>Total Fund Balances</b>	<b>10,034,167</b>	<b>3,115,058</b>	<b>2,035,107</b>	<b>15,184,332</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 19,002,257</b>	<b>\$ 3,115,058</b>	<b>\$ 2,551,617</b>	<b>\$ 24,668,932</b>

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

**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT  
OF NET POSITION  
JUNE 30, 2014**

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**Total Fund Balance - Governmental Funds** \$ 15,184,332

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 133,121,452	
Accumulated depreciation	<u>(58,546,150)</u>	74,575,302

Deferred amount on refunding:

In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:

1,173,735

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was:

(136,785)

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Total general obligation bonds	\$ 43,196,334	
Capital leases	2,320,354	
Early retirement incentive	506,006	
Compensated absences	831,403	
Net OPEB obligation	<u>10,758,021</u>	(57,612,118)

**Total Net Position - Governmental Activities** \$ 33,184,466

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

**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
LCFF sources	\$ 73,304,490	\$ -	\$ -	\$ 73,304,490
Federal sources	5,621,948	-	4,981,349	10,603,297
Other state sources	8,893,307	40,698	791,648	9,725,653
Other local sources	8,084,169	3,069,002	1,443,974	12,597,145
<b>Total Revenues</b>	<b>95,903,914</b>	<b>3,109,700</b>	<b>7,216,971</b>	<b>106,230,585</b>
<b>EXPENDITURES</b>				
Current				
Instruction	63,156,104	-	387,526	63,543,630
Instruction-related services				
Instructional supervision and administration	2,597,326	-	98,366	2,695,692
Instructional library, media, and technology	2,187,759	-	-	2,187,759
School site administration	5,709,896	-	50,251	5,760,147
Pupil services				
Home-to-school transportation	4,851,138	-	-	4,851,138
Food services	91	-	5,627,302	5,627,393
All other pupil services	6,680,003	-	-	6,680,003
General administration				
Centralized data processing	1,679,078	-	-	1,679,078
All other general administration	3,109,683	-	241,612	3,351,295
Plant services	8,326,140	-	20,731	8,346,871
Facilities acquisition and maintenance	37,067	-	276,755	313,822
Ancillary services	430,468	-	-	430,468
Community services	1,199,586	-	1,767	1,201,353
Enterprise activities	2,158	-	16,035	18,193
Debt service				
Principal	667,559	1,890,000	-	2,557,559
Interest and other	108,510	1,315,693	-	1,424,203
<b>Total Expenditures</b>	<b>100,742,566</b>	<b>3,205,693</b>	<b>6,720,345</b>	<b>110,668,604</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>(4,838,652)</b>	<b>(95,993)</b>	<b>496,626</b>	<b>(4,438,019)</b>
<b>Other Financing Sources (Uses)</b>				
Other sources	2,933,260	17,606,740	-	20,540,000
Other uses	-	(17,353,735)	-	(17,353,735)
<b>Net Financing Sources (Uses)</b>	<b>2,933,260</b>	<b>253,005</b>	<b>-</b>	<b>3,186,265</b>
<b>NET CHANGE IN FUND BALANCE</b>				
	(1,905,392)	157,012	496,626	(1,251,754)
<b>Fund Balance - Beginning</b>	<b>11,939,559</b>	<b>2,958,046</b>	<b>1,538,481</b>	<b>16,436,086</b>
<b>Fund Balance - Ending</b>	<b>\$ 10,034,167</b>	<b>\$ 3,115,058</b>	<b>\$ 2,035,107</b>	<b>\$ 15,184,332</b>

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

**LA MESA-SPRING VALLEY 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, 2014**

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**Net Change in Fund Balances - Governmental Funds** \$ (1,251,754)

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$ 3,438,964	
Depreciation expense:	(4,304,712)	(865,748)

Debt service:

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

18,737,559

Debt proceeds:

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:

(20,540,000)

Deferred amounts on refunding:

In governmental funds, deferred amounts on refundings are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refundings are amortized over the life of the debt. The net effect of the deferred amounts on refundings during the period was:

1,173,735

*Continued on next page*

**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF  
ACTIVITIES, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: 320,194

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. (1,028,780)

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was: (9,740)

Other expenditures relating to prior periods:

Certain expenditures recognized in governmental funds relate to prior periods. Typical examples are payments on structured legal settlements or retirement incentives paid over time. These expenditures are recognized in the government-wide statement of activities in the period in which the obligations were first incurred, so they must not be recognized again in the current period. Expenditures relating to prior periods were: 506,006

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (1,858,076)

**Change in Net Position of Governmental Activities**

\$ (4,816,604)

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

LA MESA-SPRING VALLEY SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2014

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	<u>Business-Type Activities</u>	
	<u>Child Care Fund</u>	
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$	888,551
Accounts receivable		908
Due from other funds		36,113
Total current assets		<u>925,572</u>
<b>Total Assets</b>		<u>925,572</u>
<b>LIABILITIES</b>		
Current liabilities		
Accrued liabilities		164,400
Due to other funds		504,153
Total current liabilities		<u>668,553</u>
<b>Total Liabilities</b>		<u>668,553</u>
<b>NET POSITION</b>		
Unrestricted		257,019
<b>Total Net Position</b>	\$	<u>257,019</u>

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



LA MESA-SPRING VALLEY SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2014

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	<b>Business-Type Activities</b>
	<b>Child Care Fund</b>
<b>OPERATING REVENUE</b>	
Charges for services	\$ 3,771,637
Other local revenues	4,981
<b>Total operating revenues</b>	<b>3,776,618</b>
<b>OPERATING EXPENSE</b>	
Salaries and benefits	2,958,094
Supplies and materials	73,513
Professional services	688,571
<b>Total operating expenses</b>	<b>3,720,178</b>
<b>Operating income/(loss)</b>	<b>56,440</b>
<b>NON-OPERATING REVENUES/(EXPENSES)</b>	
Interest income	2,755
<b>Total non-operating revenues/(expenses)</b>	<b>2,755</b>
<b>CHANGE IN NET POSITION</b>	<b>59,195</b>
<b>Net Position - Beginning</b>	<b>197,824</b>
<b>Net Position - Ending</b>	<b>\$ 257,019</b>

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

**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2014**

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	<b>Business-Type Activities</b>
	<b>Child Care Fund</b>
<b>Cash flows from operating activities</b>	
Cash received from user charges	\$ 3,740,557
Cash payments for payroll, insurance, and operating costs	(3,696,957)
Net cash provided by (used for) operating activities	<u>43,600</u>
<b>Cash flows from investing activities</b>	
Interest received	2,755
Net cash provided by (used for) investing activities	<u>2,755</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>46,355</u>
 <b>CASH AND CASH EQUIVALENTS</b>	
Beginning of year	842,196
End of year	<u>\$ 888,551</u>
 <b>Reconciliation of operating income (loss) to cash provided by (used for) operating activities</b>	
Operating income (loss)	\$ 56,440
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(193)
(Increase) decrease in due from other funds	(35,868)
Increase (decrease) in accrued liabilities	23,894
Increase (decrease) in due to other funds	(673)
<b>Net cash provided by (used for) operating activities</b>	<u>\$ 43,600</u>

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

LA MESA-SPRING VALLEY SCHOOL DISTRICT  
 FIDUCIARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2014

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	Agency Funds	
	Peter Pan Fund	Student Body Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$ 30,562	\$ 168,010
<b>Total Assets</b>	<b>\$ 30,562</b>	<b>\$ 168,010</b>
<b>LIABILITIES</b>		
Due to student groups	\$ -	\$ 168,010
Due to other groups	30,562	-
<b>Total Liabilities</b>	<b>\$ 30,562</b>	<b>\$ 168,010</b>

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

LA MESA-SPRING VALLEY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The La Mesa-Spring Valley School District (the “District”) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades K-8 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Education.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no such component units.

The La Mesa-Spring Valley Educational Foundation is a nonprofit organization that supports the La Mesa Spring Valley School District. It was established in 1983 by a group of citizens. The foundation provides a formalized avenue for raising funds to directly support public education in the La Mesa-Spring Valley School District. The La Mesa-Spring Valley Educational Foundation is not a component unit of the La Mesa-Spring Valley School District as it does not meet the criteria noted above.

C. Basis of Presentation

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

LA MESA-SPRING VALLEY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2014

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

C. Basis of Presentation (*continued*)

**Government-Wide Statements** (*continued*)

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of 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.

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

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

**Major Governmental Funds**

**General Fund:** The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

LA MESA-SPRING VALLEY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2014

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

C. Basis of Presentation (*continued*)

Major Governmental Funds (*continued*)

**Bond Interest and Redemption Fund:** This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

Non-Major Governmental Funds

**Special Revenue Funds:** Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

**Child Development Fund:** This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section 8200 et seq.*) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section 8328*).

**Cafeteria Special Revenue Fund:** This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Special Revenue Fund shall be 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:** Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**Building Fund:** This 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. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

LA MESA-SPRING VALLEY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2014

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

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds (*continued*)

**Capital Project Funds** (*continued*):

**Capital Facilities Fund:** This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

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

Proprietary Funds

**Enterprise Funds:** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

**Child Care Fund:** The District maintains the childcare before and after school (parent paid) program in the Child Care Enterprise Fund.

Fiduciary Funds

**Trust and Agency Funds:** Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. 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.

**Peter Pan Fund:** The Peter Pan Fund is an agency fund used to account for activities related to the theater program.

**Student Body Fund:** The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections 48930–48938*).

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

D. **Basis of Accounting – Measurement Focus**

**Government-Wide, Proprietary, and Fiduciary Financial Statements**

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its 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 position restricted for other activities results from special revenue funds and the restrictions on their use.

Proprietary funds distinguish operating revenues and expenses from non operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

**Governmental Funds**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

**Revenues – Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under 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 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" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.



LA MESA-SPRING VALLEY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2014

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. **Basis of Accounting – Measurement Focus (continued)**

**Revenues – Exchange and Non-Exchange Transactions (continued)**

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Unearned Revenue**

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

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

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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

**Cash and Cash Equivalents**

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash held in the county treasury is recorded at cost, which approximates fair value.

**Investments**

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

LA MESA-SPRING VALLEY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, *continued*  
 JUNE 30, 2014

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

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

**Inventories**

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

**Capital Assets**

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. 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. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	25-50 years
Furniture and Equipment	15-20 years
Vehicles	8 years

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

**Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. 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 resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

LA MESA-SPRING VALLEY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2014

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

**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 funds.

**Premiums and Discounts**

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

**Deferred Outflows/Deferred Inflows of Resources**

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

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

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

*Restricted* - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

LA MESA-SPRING VALLEY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2014

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

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

**Fund Balance** (*continued*)

*Committed* - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

*Assigned* - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

*Unassigned* - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. 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.

LA MESA-SPRING VALLEY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2014

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

G. 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.

H. 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 purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

I. Property Tax

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

LA MESA-SPRING VALLEY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2014

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

J. New Accounting Pronouncements

**GASB Statement No. 65** – In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Statement is effective for periods beginning after December 15, 2012. The District has implemented GASB Statement No. 65 for the year ended June 30, 2014.

**GASB Statement No. 68** – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Statement is effective for periods beginning after June 15, 2014. The District has not yet determined the impact on the financial statements.

**GASB Statement No. 71** – In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This standard seeks to clarify certain implementation issues related to amounts that are deferred and amortized at the time GASB 68 is first adopted. It applies to situations in which the measurement date of an actuarial valuation differs from the government's fiscal year. The Statement is effective for periods beginning after June 15, 2014. The District has not yet determined the impact on the financial statements.

LA MESA-SPRING VALLEY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2014

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NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Activities	Business-Type Activities	Fiduciary Funds
Cash in county	\$ 12,510,531	\$ 888,551	\$ -
Cash on hand and in banks	9	-	198,572
Cash with fiscal agent	400,000	-	-
Cash in revolving fund	43,650	-	-
<b>Total cash and cash equivalents</b>	<b>\$ 12,954,190</b>	<b>\$ 888,551</b>	<b>\$ 198,572</b>

B. 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; collateralized mortgage obligations; and the County Investment Pool.

**Investment in County Treasury** – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The San Diego County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is 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.

**Cash with Fiscal Agent** - Cash with Fiscal Agent represents \$400,000 recorded in the General Fund. The monies are held by Union Bank as escrow for the District’s equipment leases.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2014**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**C. General Authorizations**

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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

**D. 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 Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$13,400,555 and an amortized book value of \$13,399,082. The average weighted maturity for this pool is 366 days.



LA MESA-SPRING VALLEY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2014

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NOTE 2 – CASH AND INVESTMENTS (continued)

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2014, the pooled investments in the County Treasury were rated AAAs/S1 by Standard and Poor's.

F. 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. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2014, the District's bank balance was not exposed to custodial credit risk.

NOTE 3 – ACCOUNTS RECEIVABLE

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

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Activities</u>	<u>Total Business- Type Activities</u>
Federal Government				
Categorical aid	\$ 381,541	\$ 795,076	\$ 1,176,617	\$ -
State Government				
Apportionment	6,221,751	-	6,221,751	-
Categorical aid	805,157	52,099	857,256	-
Lottery	898,825	-	898,825	-
Local Government				
Other local sources	1,526,637	47,642	1,574,279	908
<b>Total</b>	<u>\$ 9,833,911</u>	<u>\$ 894,817</u>	<u>\$ 10,728,728</u>	<u>\$ 908</u>

**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2014**

**NOTE 4 – CAPITAL ASSETS**

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

	Balance July 01, 2013	Additions	Deletions	Balance June 30, 2014
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 16,201,920	\$ -	\$ -	\$ 16,201,920
Construction in progress	586,772	360,562	536,458	410,876
Total Capital Assets not Being Depreciated	16,788,692	360,562	536,458	16,612,796
Capital assets being depreciated				
Land improvements	5,451,520	175,002	-	5,626,522
Buildings & improvements	98,533,825	545,996	-	99,079,821
Furniture & equipment	8,908,451	2,893,862	-	11,802,313
Total Capital Assets Being Depreciated	112,893,796	3,614,860	-	116,508,656
Less Accumulated Depreciation				
Land improvements	2,683,869	138,323	-	2,822,192
Buildings & improvements	45,262,723	3,521,199	-	48,783,922
Furniture & equipment	6,294,846	645,190	-	6,940,036
Total Accumulated Depreciation	54,241,438	4,304,712	-	58,546,150
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	<b>\$ 75,441,050</b>	<b>\$ (329,290)</b>	<b>\$ 536,458</b>	<b>\$ 74,575,302</b>

**NOTE 5 – INTERFUND TRANSACTIONS**

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

Individual interfund receivable and payable balances at June 30, 2014 were as follows:

	Due From Other Funds			
	General Fund	Non-Major Governmental Funds	Child Care Fund	Total
<b>Due To Other Funds</b>				
General Fund	\$ -	\$ -	\$ 36,113	\$ 36,113
Non-Major Governmental Funds	285,042	-	-	285,042
Child Care Fund	499,911	4,242	-	504,153
<b>Total Due From Other Funds</b>	<b>\$ 784,953</b>	<b>\$ 4,242</b>	<b>\$ 36,113</b>	<b>\$ 825,308</b>
Due from the General Fund to the Child Care Fund for ASES.			\$ 36,113	
Due from the Child Development Fund to the General Fund for expenditures.				20,189
Due from the Cafeteria Fund to the General Fund for space and OPEB.				253,924
Due from the Capital Facilities Fund to the General Fund for expenditures.				10,929
Due from the Child Care Fund to the General Fund for square footage and custodial expenditures.				499,911
Due from the Child Care Fund to the Cafeteria Fund for OPEB.				4,242
<b>Total</b>			<b>\$ 825,308</b>	

**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2014**

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**NOTE 6 – ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2014 consisted of the following:

	<b>General Fund</b>	<b>Non-Major Governmental Funds</b>	<b>District-Wide</b>	<b>Total Governmental Activities</b>	<b>Total Business- Type Activities</b>
Payroll	\$ 819,592	\$ 35,419	\$ -	\$ 855,011	\$ 154,530
Construction	-	4,280	-	4,280	-
Vendors payable	1,146,686	40,638	-	1,187,324	9,870
Unmatured interest	-	-	136,785	136,785	-
<b>Total</b>	<b>\$ 1,966,278</b>	<b>\$ 80,337</b>	<b>\$ 136,785</b>	<b>\$ 2,183,400</b>	<b>\$ 164,400</b>

**NOTE 7 – UNEARNED REVENUE**

Unearned revenue at June 30, 2014, consisted of the following:

	<b>General Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Activities</b>
Federal sources	\$ 6,131	\$ -	\$ 6,131
Local sources	-	151,131	151,131
<b>Total</b>	<b>\$ 6,131</b>	<b>\$ 151,131</b>	<b>\$ 157,262</b>

**NOTE 8 – CURRENT LOANS**

The District received two temporary loans totaling \$6,959,568 from the San Diego County Treasury bearing interest at 0.41 percent. The temporary loans were received to supplement cash flows. As of June 30, 2014, the District had not made any principal payments, leaving the entire balance outstanding.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2014**

**NOTE 9 – LONG-TERM DEBT**

A schedule of changes in long-term debt for the year ended June 30, 2014 consisted of the following:

	Balance July 01, 2013	Additions	Deductions	Balance June 30, 2014	Balance Due In One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 36,094,848	\$ 17,415,000	\$ 18,070,000	\$ 35,439,848	\$ 2,390,000
Unamortized premium	-	191,740	-	191,740	23,968
Accreted interest	6,535,966	1,028,780	-	7,564,746	-
Total general obligation bonds	42,630,814	18,635,520	18,070,000	43,196,334	2,413,968
Capital leases	54,653	2,933,260	667,559	2,320,354	716,009
Early retirement incentive	1,012,012	-	506,006	506,006	506,006
Compensated absences	821,663	9,740	-	831,403	-
Net OPEB obligation	8,899,945	1,858,076	-	10,758,021	-
<b>Total</b>	<b>\$ 53,419,087</b>	<b>\$ 23,436,596</b>	<b>\$ 19,243,565</b>	<b>\$ 57,612,118</b>	<b>\$ 3,635,983</b>

**A. Compensated Absences**

Total unpaid employee compensated absences as of June 30, 2014 amounted to \$831,403. This amount is included as part of long-term liabilities in the government-wide financial statements.

**B. General Obligation Bonds**

On March 5, 2002, the voters of the La Mesa-Spring Valley School District approved by more than 55% Proposition M, authorizing the issuance and sale of \$44,000,000 of general obligation bonds. On June 26, 2002, the District issued Series A of the Election of 2002 General Obligation Bonds in the amount of \$31,330,140. On March 9, 2005, the District refunded a portion of the Series A bonds and issued Series B bonds. On March 26, 2014, the District issued 2014 Series A and B Refunding Bonds to refund a portion of the 2005 bonds.

- The remaining outstanding 2005 General Obligation Refunding Bonds consist of current interest serial bonds of \$5,155,000 with stated interest rates ranging from 3.75% to 4.50% and fully maturing on August 1, 2021. The principal balance outstanding as of June 30, 2014 is \$5,155,000.
- The 2002 General Obligation Series B bond issue consists of: (a) current interest serial bonds of \$240,000 with a stated interest rate of 3.0% and fully maturing on August 1, 2005; and, (b) capital appreciation serial bonds of \$12,429,709 with a yield ranging from 4.9% to 5.2% and fully maturing on August 1, 2028. The balance outstanding as of June 30, 2014 is \$19,537,134, which includes accreted interest on the capital appreciation bonds.

LA MESA-SPRING VALLEY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, *continued*  
 JUNE 30, 2014

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NOTE 9 – LONG-TERM DEBT (*continued*)

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

- The remaining outstanding 2002 General Obligation Series A bond issue consists of capital appreciation serial bonds of \$440,140 with a yield of 5.71% and fully maturing on February 1, 2027. The balance outstanding as of June 30, 2014 is \$897,460, which includes accreted interest.
- The 2014 Series A General Obligation Refunding Bonds consist of tax-exempt current interest serial bonds of \$5,465,000 with stated interest rates ranging from 2.0% to 3.0% and fully maturing on August 1, 2021. The principal balance outstanding as of June 30, 2014 is \$5,465,000.
- The 2014 Series B General Obligation Refunding Bonds consist of current interest serial bonds of \$11,950,000 with stated interest rates ranging from 0.657% to 3.349% and fully maturing on August 1, 2020. The principal balance outstanding as of June 30, 2014 is \$11,950,000.

The net proceeds received for the 2014 Series A and Series B Refunding Bonds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the 2005 General Obligation Bonds that were advance refunded. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District’s financial statements. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized as an expense over the life of the bond. Deferred charges on refunding of \$1,173,735 remain to be amortized. This refunding reduced total debt service payments by \$650,097 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$606,442. As of June 30, 2014, the principal balance outstanding on the defeased debt amounted to \$16,180,000 and the principal balance on the 2014 Series A and B Refunding Bonds amounted to \$17,415,000.

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

<b>Year Ended June 30,</b>	<b>Principal*</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 2,390,000	\$ 406,815	\$ 2,796,815
2016	2,625,000	528,169	3,153,169
2017	2,870,000	411,484	3,281,484
2018	3,065,000	360,298	3,425,298
2019	3,280,000	294,112	3,574,112
2020 - 2024	13,144,707	7,049,817	20,194,524
2025 - 2029	8,065,141	16,974,859	25,040,000
<b>Total</b>	<b>\$ 35,439,848</b>	<b>\$ 26,025,554</b>	<b>\$ 61,465,402</b>

\* Principal balance does not include accreted interest of \$7,564,746 at June 30, 2014.

LA MESA-SPRING VALLEY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, *continued*  
 JUNE 30, 2014

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NOTE 9 – LONG-TERM DEBT (*continued*)

C. Capital Leases

The District has entered into various capital leases for copiers, equipment, vehicles, and computer hardware and software. Future minimum lease payments under these agreements are as follows:

<u>Year Ended June 30,</u>	<u>Lease Payment</u>
2015	\$ 750,913
2016	684,439
2017	445,543
2018	445,543
2019	85,480
Total minimum lease payments	<u>2,411,918</u>
Less amount representing interest	(91,564)
Present value of minimum lease payments	<u>\$ 2,320,354</u>

D. Early Retirement Incentive

In April 2008 the District entered into a PARS supplementary retirement plan in which 32 certificated employees and 34 classified employees elected for early retirement in exchange for early retirement incentive payments. In April 2010 the District entered into a PARS supplementary retirement plan in which 52 certificated employees elected to take the early retirement incentive. As of June 30, 2014, the outstanding balance related to the District’s early retirement incentive liability was \$506,006. The outstanding balance will be paid off in full during fiscal year 2015.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

**NOTE 10 – FUND BALANCES**

Fund balances were composed of the following elements at June 30, 2014:

	<b>General Fund</b>	<b>Bond Interest &amp; Redemption Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Non-spendable</b>				
Revolving cash	\$ 43,650	\$ -	\$ -	\$ 43,650
Stores inventory	141,565	-	55,254	196,819
Total non-spendable	185,215	-	55,254	240,469
<b>Restricted</b>				
Educational programs	2,459,919	-	6,311	2,466,230
Capital projects	-	-	768,856	768,856
Debt service	-	3,115,058	-	3,115,058
All others	-	-	1,204,686	1,204,686
Total restricted	2,459,919	3,115,058	1,979,853	7,554,830
<b>Assigned</b>				
Additional 2% board reserve	1,968,590	-	-	1,968,590
Option out funds	1,159,339	-	-	1,159,339
Donations, mini-grants, site balance	332,155	-	-	332,155
Total assigned	3,460,084	-	-	3,460,084
<b>Unassigned</b>				
Reserve for economic uncertainties	2,952,885	-	-	2,952,885
Remaining unassigned	976,064	-	-	976,064
Total unassigned	3,928,949	-	-	3,928,949
<b>Total</b>	<b>\$ 10,034,167</b>	<b>\$ 3,115,058</b>	<b>\$ 2,035,107</b>	<b>\$ 15,184,332</b>

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy targets a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3 percent of General Fund expenditures and other financing uses, inclusive of the minimum required by California Education Code. The District also assigns an additional 2 percent reserve.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

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**NOTE 11 –POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**A. Plan Description and Contribution Information**

The District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical, dental and vision insurance benefits to eligible retirees and their spouses. The District implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in 2009-10.

Membership of the plan as of the July 1, 2013 actuarial study consisted of the following:

Retirees and beneficiaries receiving benefits	161
Active plan members	1,067
Total	<u>1,228</u>
 Number of participating employers	 1

The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 10 years of service. The District provides medical benefits at the same level they are receiving at the time of retirement for a period of up to age 65 or Medicare eligibility, if earlier, except in the case of some individual employment contracts which provide lifetime medical benefits.

**B. Funding Policy**

The District’s funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board. For fiscal year 2013-14, the District contributed \$1,588,184.

As of June 30, 2014, the District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors.

**C. Annual OPEB Cost and Net OPEB Obligation**

The District’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years.



LA MESA-SPRING VALLEY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2014

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

C. Annual OPEB Cost and Net OPEB Obligation (continued)

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	\$ 3,604,947
Interest on net OPEB obligation	355,998
Adjustment to annual required contribution	(514,685)
Annual OPEB cost (expense)	<u>3,446,260</u>
Contributions made	<u>(1,588,184)</u>
Increase (decrease) in net OPEB obligation	1,858,076
Net OPEB obligation, beginning of the year	<u>8,899,945</u>
Net OPEB obligation, end of the year	<u>\$ 10,758,021</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2014 and the preceding two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2014	\$ 3,446,260	46%	\$ 10,758,021
2013	\$ 2,841,625	44%	\$ 8,899,945
2012	\$ 2,864,943	46%	\$ 7,317,633

D. Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial evaluation consists of the following:

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2013	\$ -	\$ 31,952,016	\$ 31,952,016	0%	\$ 68,910,407	46%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to 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.

LA MESA-SPRING VALLEY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, *continued*  
 JUNE 30, 2014

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NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (*continued*)

E. 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.

Additional information as of the latest actuarial valuation follows:

Valuation Date	7/1/2013
Actuarial Cost Method	Projected Unit Cost
Amortization Method	Level-percentage of payroll
Remaining Amortization Period	30
Actuarial Assumptions:	
Discount rate	4.0%
Health care trend rate	5.0-8.0%

**LA MESA-SPRING VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

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**NOTE 12 – 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).

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits 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, CA 95826.

**Funding Policy**

Active plan members are required to contribute 8.0% of their salary for fiscal year 2014 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 2014 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Required Contribution</u>	<u>Percent of Required Contribution</u>
2013-14	\$ 3,989,031	\$ 3,989,031	100%
2012-13	\$ 3,886,714	\$ 3,886,714	100%
2011-12	\$ 3,860,955	\$ 3,860,955	100%

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$2,435,445 to CalSTRS (5.204% of 2011-12 creditable compensation subject to CalSTRS).

**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2014**

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**NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS (continued)**

**California Public Employees’ Retirement System (CalPERS)**

**Plan Description**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement 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, CA 95811.

**Funding Policy**

Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary. The California Public Employees’ Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member’s contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

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 2014 was 11.442% of annual payroll. The District’s contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Required Contribution	Percent of Required Contribution
2013-14	\$ 2,031,341	\$ 2,031,341	100%
2012-13	\$ 1,965,564	\$ 1,965,564	100%
2011-12	\$ 1,853,000	\$ 1,853,000	100%

**LA MESA-SPRING VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

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**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

**A. 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, 2014.

**B. Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2014.

**C. Construction Commitments**

As of June 30, 2014, the District had commitments with respect to unfinished capital projects of \$12,794.

**NOTE 14 – PARTICIPATION IN JOINT POWERS AUTHORITIES**

The La Mesa-Spring Valley School District participates in two joint ventures under joint powers agreement (JPA), the San Diego County Schools Risk Management JPA (RM) and Facilities Joint Powers Authority (FACJPA). The relationship between the District and the JPA's is such that the JPA's are not a component unit of the District for financial reporting purposes.

The RM JPA arranges for and provides workers' compensation, health, and property and liability insurance for its member school districts. The JPA is governed by a board consisting of a representative from each member district. The governing board controls the operations of the JPA independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPA.

The FAC JPA consists of other districts within the county and the San Diego County Office of Education. The JPA is intended to provide members with the opportunity to achieve planning and construction savings by pooling the resources of its members and providing efficiencies and economies of scale which would potentially be unavailable if the members undertook planning and construction projects on an individual basis. The JPA also strives to develop alliances with SDCOE, Division of the State Architect, and the Office of Public School Construction.

The FAC JPA provides management of facilities planning and construction and expertise on a range of facilities and construction needs from technical support to master planning construction projects. Contracts for FACJPA services are negotiated on a case by case basis when the district utilizes FACJPA services.

Condensed audited financial information for the most currently available year is available from the JPA.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

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**NOTE 15 – DEFERRED OUTFLOWS OF RESOURCES**

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognized deferred outflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2014, the deferred amount on refunding was \$1,173,735.

**NOTE 16 – SUBSEQUENT EVENTS**

In July 2014, the District issued \$7,855,000 of Tax and Revenue Anticipation Notes bearing interest at 2.00 percent. The notes were issued to supplement cash flows. Repayment terms require that the amounts be deposited with the Fiscal Agent, where half of the payment will be made in January 2015, and the remaining half will be paid in April 2015.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
LCFF sources	\$ 60,270,755	\$ 73,584,553	\$ 73,304,490	\$ (280,063)
Federal sources	5,813,148	6,103,661	5,621,948	(481,713)
Other state sources	15,260,281	6,060,166	4,790,035	(1,270,131)
Other local sources	7,267,486	7,494,665	8,080,599	585,934
<b>Total Revenues</b>	<b>88,611,670</b>	<b>93,243,045</b>	<b>91,797,072</b>	<b>(1,445,973)</b>
<b>EXPENDITURES</b>				
Certificated salaries	47,647,472	48,765,359	48,428,952	336,407
Classified salaries	15,395,407	15,622,569	16,165,992	(543,423)
Employee benefits	18,877,825	18,721,130	18,377,917	343,213
Books and supplies	4,024,500	6,085,037	5,052,820	1,032,217
Services and other operating expenditures	6,562,529	8,663,536	6,711,281	1,952,255
Capital outlay	1,335,500	915,946	3,131,179	(2,215,233)
Other outgo				
Excluding transfers of indirect costs	346,051	342,077	669,663	(327,586)
Transfers of indirect costs	(245,273)	(245,273)	(230,683)	(14,590)
<b>Total Expenditures</b>	<b>93,944,011</b>	<b>98,870,381</b>	<b>98,307,121</b>	<b>563,260</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>(5,332,341)</b>	<b>(5,627,336)</b>	<b>(6,510,049)</b>	<b>(882,713)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	33,253	33,253	22,977	(10,276)
Other sources	-	-	2,933,260	2,933,260
Transfers out	(128,282)	(128,282)	(122,371)	5,911
<b>Net Financing Sources (Uses)</b>	<b>(95,029)</b>	<b>(95,029)</b>	<b>2,833,866</b>	<b>2,928,895</b>
<b>NET CHANGE IN FUND BALANCE</b>				
<b>Fund Balance - Beginning</b>	<b>10,883,183</b>	<b>10,883,183</b>	<b>10,883,183</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 5,455,813</b>	<b>\$ 5,160,818</b>	<b>\$ 7,207,000</b>	<b>\$ 2,046,182</b>

\* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- On behalf payments of \$2,435,445 are not included in the actual revenues and expenditures reported in this schedule.
- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for other than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.
- The audit adjustment that increased revenue and decreased unearned revenue by \$1,667,827 is not included on this schedule.

See accompanying note to required supplementary information.



**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2014**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Valuation of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
July 1, 2013	\$ -	\$ 31,952,016	\$ 31,952,016	0%	\$ 68,910,407	46%
July 1, 2011	\$ -	\$ 23,972,309	\$ 23,972,309	0%	\$ 66,898,045	36%
July 1, 2009	\$ -	\$ 19,541,387	\$ 19,541,387	0%	\$ 82,447,563	24%

See accompanying note to required supplementary information.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2014**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

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

**Schedule of Funding Progress**

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

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

For the year ended June 30, 2014, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	<b>Expenditures and Other Uses</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Excess</b>
General Fund			
Classified salaries	\$ 15,622,569	\$ 16,165,992	\$ 543,423
Capital outlay	\$ 915,946	\$ 3,131,179	\$ 2,215,233
Other outgo			
Excluding transfers of indirect costs	\$ 342,077	\$ 669,663	\$ 327,586

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**SUPPLEMENTARY  
INFORMATION**

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**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 2,087,977
Title II, Part A, Teacher Quality	84.367A	14341	511,452
Title III Cluster			
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	285,005
Title III, Immigrant Education	84.365	15146	28,255
Subtotal Title III Cluster			<u>313,260</u>
Title VIII, Impact Aid	84.041	10015	56,645
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,952,264
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	12,076
Part B, Preschool Grants	84.173	13430	168,322
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	267,580
Preschool Staff Development	84.173A	13431	1,150
Subtotal Special Education Cluster			<u>2,401,392</u>
IDEA Early Intervention Grants	84.181	23761	23,492
<b>Total U. S. Department of Education</b>			<u><u>5,394,218</u></u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program, Severe Need	10.553	13526	755,898
National School Lunch Program	10.555	13391	3,235,513
Meal Supplements (After-School Snacks)	10.555	*	11,199
USDA Commodities	10.555	*	326,207
Summer Food Service Program for Children	10.559	13004	61,528
Subtotal Child Nutrition Cluster			<u>4,390,345</u>
Child and Adult Care Food Program	10.558	13666	555,147
<b>Total U. S. Department of Agriculture</b>			<u><u>4,945,492</u></u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Education:</i>			
CCDF, General Child Development Program	93.596	13609	35,857
<i>Passed through California Department of Health Services:</i>			
Medicaid Cluster			
Medi-Cal Billing Option	93.778	10013	494,790
Medi-Cal Administrative Activities	93.778	10060	43,771
Subtotal Medicaid Cluster			<u>538,561</u>
<b>Total U. S. Department of Health &amp; Human Services</b>			<u>574,418</u>
<b>Total Federal Expenditures</b>			<u><u>\$ 10,914,128</u></u>

\* - PCS Number not available or not applicable

**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
FOR THE YEAR ENDED JUNE 30, 2014**

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	<b>Second Period Report</b>	<b>Annual Report</b>
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	5,453.30	5,460.69
Extended Year Special Education	6.77	6.77
Special Education - Nonpublic Schools	1.03	1.01
Extended Year Special Education - Nonpublic Schools	0.17	0.17
Total TK/K through Third	<u>5,461.27</u>	<u>5,468.64</u>
Fourth through Sixth		
Regular ADA	3,695.16	3,688.69
Extended Year Special Education	4.78	4.78
Special Education - Nonpublic Schools	10.35	9.60
Extended Year Special Education - Nonpublic Schools	1.00	1.00
Community Day School	1.80	1.46
Total Fourth through Sixth	<u>3,713.09</u>	<u>3,705.53</u>
Seventh through Eighth		
Regular ADA	2,367.17	2,362.36
Special Education - Nonpublic Schools	6.58	7.03
Extended Year Special Education - Nonpublic Schools	1.28	1.28
Community Day School	13.10	9.43
Total Seventh through Eighth	<u>2,388.13</u>	<u>2,380.10</u>
TOTAL SCHOOL DISTRICT	<u>11,562.49</u>	<u>11,554.27</u>

See accompanying note to supplementary information.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME  
 FOR THE YEAR ENDED JUNE 30, 2014**

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<b>Grade Level</b>	<b>Minutes Requirement</b>	<b>Minutes Requirement Reduced</b>	<b>2013-14 Actual Minutes</b>	<b>Number of Days</b>	<b>Status</b>
Kindergarten	36,000	35,000	52,970	176	Complied
Grade 1	50,400	49,000	52,970	176	Complied
Grade 2	50,400	49,000	52,970	176	Complied
Grade 3	50,400	49,000	52,970	176	Complied
Grade 4	54,000	52,500	52,970	176	Complied
Grade 5	54,000	52,500	52,970	176	Complied
Grade 6	54,000	52,500	52,970	176	Complied
Grade 7	54,000	52,500	61,175	176	Complied
Grade 8	54,000	52,500	61,175	176	Complied

See accompanying note to supplementary information.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>2015 (Budget)</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 97,760,297	\$ 94,753,309	\$ 90,300,914	\$ 90,948,975
Expenditures And Other Financing Uses	98,604,701	98,429,492	91,878,889	92,480,371
Net change in Fund Balance	\$ (844,404)	\$ (3,676,183)	\$ (1,577,975)	\$ (1,531,396)
Ending Fund Balance	\$ 6,362,596	\$ 7,207,000	\$ 10,883,183	\$ 12,461,158
Available Reserves*	\$ 3,868,929	\$ 3,928,949	\$ 2,756,367	\$ 6,391,090
Available Reserves As A Percentage Of Outgo	3.92%	3.99%	3.00%	6.91%
Long-term Debt	\$ 53,976,135	\$ 57,612,118	\$ 53,419,087	\$ 52,707,362
Average Daily Attendance At P-2	11,562	11,562	11,511	11,905

The General Fund balance has decreased by \$5,254,158 over the past two years. The fiscal year 2014-15 budget projects a decrease of \$844,404. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in each of the past three years and anticipates incurring an operating deficit during the 2014-15 fiscal year. Total long term obligations have increased by \$4,904,756 over the past two years.

Average daily attendance has decreased by 343 ADA over the past two years. No change in ADA is anticipated during the 2014-15 fiscal year.

\* Available reserves consist of all unassigned fund balance within the General Fund.

\*\* The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for other than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54. On behalf payments of \$2,435,445 are not included in the revenues and expenditures reported in this schedule. Also, the audit adjustment that increased revenue and decreased unearned revenue by \$1,667,827 is not included on this schedule.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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	<b>General Fund</b>	<b>Special Reserve Fund for Other Than Capital Outlay Projects</b>
June 30, 2014, annual financial and budget report fund balance	\$ 7,207,000	\$ 1,159,340
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Decrease in unearned revenue	1,667,827	-
Fund balance transfer (GASB 54)	1,159,340	(1,159,340)
Net adjustments and reclassifications	2,827,167	(1,159,340)
June 30, 2014, audited financial statement fund balance	\$ 10,034,167	\$ -

See accompanying note to supplementary information.



LA MESA-SPRING VALLEY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 JUNE 30, 2014

	Child Development Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 21,757	\$ 795,667	\$ 9,105	\$ 745,532	\$ 25,243	\$ 1,597,304
Accounts receivable	13,728	876,904	27	4,133	25	894,817
Due from other funds	-	4,242	-	-	-	4,242
Stores inventory	-	55,254	-	-	-	55,254
<b>Total Assets</b>	<b>\$ 35,485</b>	<b>\$ 1,732,067</b>	<b>\$ 9,132</b>	<b>\$ 749,665</b>	<b>\$ 25,268</b>	<b>\$ 2,551,617</b>
<b>LIABILITIES</b>						
Accrued liabilities	\$ 8,985	\$ 67,072	\$ -	\$ 4,280	\$ -	\$ 80,337
Due to other funds	20,189	253,924	-	10,929	-	285,042
Unearned revenue	-	151,131	-	-	-	151,131
<b>Total Liabilities</b>	<b>29,174</b>	<b>472,127</b>	<b>-</b>	<b>15,209</b>	<b>-</b>	<b>516,510</b>
<b>FUND BALANCES</b>						
Non-spendable	-	55,254	-	-	-	55,254
Restricted	6,311	1,204,686	9,132	734,456	25,268	1,979,853
<b>Total Fund Balances</b>	<b>6,311</b>	<b>1,259,940</b>	<b>9,132</b>	<b>734,456</b>	<b>25,268</b>	<b>2,035,107</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 35,485</b>	<b>\$ 1,732,067</b>	<b>\$ 9,132</b>	<b>\$ 749,665</b>	<b>\$ 25,268</b>	<b>\$ 2,551,617</b>

See accompanying note to supplementary information.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2014**

	Child Development Fund		Capital Facilities Fund		Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
<b>REVENUES</b>						
Federal sources	\$ 35,857	\$ 4,945,492	\$ -	\$ -	\$ -	\$ 4,981,349
Other state sources	475,871	315,777	-	-	-	791,648
Other local sources	16,467	1,057,546	218	369,656	87	1,443,974
<b>Total Revenues</b>	<b>528,195</b>	<b>6,318,815</b>	<b>218</b>	<b>369,656</b>	<b>87</b>	<b>7,216,971</b>
<b>EXPENDITURES</b>						
Current						
Instruction	387,526	-	-	-	-	387,526
Instruction-related services						
Instructional supervision and administration	98,366	-	-	-	-	98,366
School site administration	50,251	-	-	-	-	50,251
Pupil services						
Food services	-	5,627,302	-	-	-	5,627,302
General administration						
All other general administration	20,009	210,674	-	10,929	-	241,612
Plant services	238	-	4,862	15,631	-	20,731
Facilities acquisition and maintenance	-	-	202,208	74,547	-	276,755
Community services	1,767	-	-	-	-	1,767
Enterprise activities	-	16,035	-	-	-	16,035
<b>Total Expenditures</b>	<b>558,157</b>	<b>5,854,011</b>	<b>207,070</b>	<b>101,107</b>	<b>-</b>	<b>6,720,345</b>
<b>Excess (Deficiency) of Revenues</b>						
<b>Over Expenditures</b>	<b>(29,962)</b>	<b>464,804</b>	<b>(206,852)</b>	<b>268,549</b>	<b>87</b>	<b>496,626</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(29,962)</b>	<b>464,804</b>	<b>(206,852)</b>	<b>268,549</b>	<b>87</b>	<b>496,626</b>
<b>Fund Balance - Beginning</b>	<b>36,273</b>	<b>795,136</b>	<b>215,984</b>	<b>465,907</b>	<b>25,181</b>	<b>1,538,481</b>
<b>Fund Balance - Ending</b>	<b>\$ 6,311</b>	<b>\$ 1,259,940</b>	<b>\$ 9,132</b>	<b>\$ 734,456</b>	<b>\$ 25,268</b>	<b>\$ 2,035,107</b>

See accompanying note to supplementary information.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2014**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Schedule of Expenditures of Federal Awards**

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2014 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2014.

	CFDA	
	Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 10,603,297
Medi-Cal Billing Option	93.778	<u>310,831</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$10,914,128</u>

**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**

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 46208*. During the year ended June 30, 2014, the District participated in the Longer Day incentive funding program. As of June 30, 2014, the District had not yet met its target funding. Through 2014-15, the instructional day and minute requirements have been reduced pursuant to *Education Code Section 46201.2*.

LA MESA-SPRING VALLEY SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION, continued  
JUNE 30, 2014

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NOTE 1 – PURPOSE OF SCHEDULES (continued)

**Schedule of Financial Trends and Analysis**

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

**Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

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

**Combining Statements – Non-Major Funds**

These statements provide information on the District's non-major funds.

**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. (Located in the front of the audit report)

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**OTHER INDEPENDENT  
AUDITORS' REPORTS**

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**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**

Christy White, CPA

Michael Ash, CPA

Tanya M. Rogers, CPA, CFE

John Whitehouse, CPA

Heather Rubio

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Independent Auditors' Report

Governing Board  
La Mesa-Spring Valley School District  
La Mesa, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of La Mesa-Spring Valley School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the La Mesa-Spring Valley School District's basic financial statements, and have issued our report thereon dated December 9, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered La Mesa-Spring Valley School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of La Mesa-Spring Valley School District's internal control. Accordingly, we do not express an opinion on the effectiveness of La Mesa-Spring Valley School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs that we consider to be significant deficiencies. (Finding #2014-1)

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether La Mesa-Spring Valley 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **La Mesa-Spring Valley School District's Response to Findings**

La Mesa-Spring Valley School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. La Mesa-Spring Valley School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Christy White Associates*

San Diego, California

December 9, 2014

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133**

Christy White, CPA

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Independent Auditors' Report

Governing Board  
La Mesa-Spring Valley School District  
La Mesa, California

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

We have audited La Mesa-Spring Valley School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of La Mesa-Spring Valley School District's major federal programs for the year ended June 30, 2014. La Mesa-Spring Valley School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of La Mesa-Spring Valley School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about La Mesa-Spring Valley School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of La Mesa-Spring Valley School District's compliance.



### *Opinion on Each Major Federal Program*

In our opinion, La Mesa-Spring Valley School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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

Management of La Mesa-Spring Valley School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered La Mesa-Spring Valley School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of La Mesa-Spring Valley School District's internal control over compliance.

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

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

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

*Christy White Associates*  
San Diego, California  
December 9, 2014

## REPORT ON STATE COMPLIANCE

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### Independent Auditors' Report

Governing Board  
La Mesa-Spring Valley School District  
La Mesa, California

#### **Report on State Compliance**

We have audited La Mesa-Spring Valley School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2013-14*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of La Mesa-Spring Valley School District's state programs for the fiscal year ended June 30, 2014, as identified below.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of La Mesa-Spring Valley School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2013-14*, 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about La Mesa-Spring Valley School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of La Mesa-Spring Valley School District's compliance with those requirements.

***Opinion on State Compliance***

In our opinion, La Mesa-Spring Valley School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2014.

***Procedures Performed***

In connection with the audit referred to above, we selected and tested transactions and records to determine La Mesa-Spring Valley School District's compliance with the state laws and regulations applicable to the following items:

<b><u>PROGRAM NAME</u></b>	<b><u>PROCEDURES IN AUDIT GUIDE</u></b>	<b><u>PROCEDURES PERFORMED</u></b>
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Not Applicable
Instructional Time for school districts	10	Yes
Instructional Materials, general requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes

*(Continued on the next page)*

*Procedures Performed (continued)*

<u>PROGRAM NAME</u>	<u>PROCEDURES IN AUDIT GUIDE</u>	<u>PROCEDURES PERFORMED</u>
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	Yes
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Contemporaneous Records of Attendance; for charter schools	8	Not Applicable
Mode of Instruction; for charter schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	3	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	4	Not Applicable
Charter School Facility Grant Program	1	Not Applicable

*Christy White Associates*

San Diego, California  
December 9, 2014

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**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

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**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Non-compliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>
<u>10.553, 10.555, 10.559</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 327,424
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

LA MESA-SPRING VALLEY SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014

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FIVE DIGIT CODE

20000

30000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

**FINDING #2014-1: STUDENT BODY FUNDS (30000)**

**Criteria:** Maintaining sound internal control procedures over cash receipts, cash disbursements, bank reconciliations and minutes of council meetings reduces the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines the proper internal control procedures for associated student body accounts to follow.

**Condition:**

Fletcher Hills ES – Although the elementary school ASB fund does not experience a high volume of activity, cash receipts and related proceeds should be deposited in a timely manner in order to mitigate risks related to cash handling. Through inquiry and review of financial records, it was determined that lag time between receipt and deposit of ASB proceeds can be as much as six weeks. For purposes of best practice and safeguarding of fiduciary fund assets, we recommend that proceeds be deposited within two weeks of receipt.

Parkway MS – Auditor noted in two out of ten cash receipts selections that deposit documentation was not adequately substantiated by supporting documentation. ASB deposit documentation should be supported by items such as control or tally sheets, in order to reconcile proceeds from the event/fundraiser to the amount subsequently deposited.

**Perspective:** We reviewed and tested internal controls over Associated Body Funds at several schools throughout the District.

**Cause:** Insufficient controls over student body activities.

**Effect:** Potential for irregularities to go undetected.

**Recommendation:** We recommend that the District provide the FCMAT manual to all ASB staff as well as provide District-wide ASB training to reinforce the importance for sound internal control procedures to be implemented. We also recommend that the District follow up with sites to verify that internal control procedures are in place.

**District Response:** The FCMAT ASB Manual has been provided to all Principals, ASB staff, and School Office Managers. Staff has been advised to review the manual and utilize it as an ongoing reference guide for ASB operations. The Internal Auditor will provide training to all ASB staff and will conduct audits at all school sites to ensure internal control of ASB funds.

LA MESA-SPRING VALLEY SCHOOL DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014

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FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

*There were no federal award findings and questioned costs for the year ended June 30, 2014.*



**LA MESA-SPRING VALLEY SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FIVE DIGIT CODE**

10000  
40000  
41000  
60000  
61000  
70000  
71000  
72000

**AB 3627 FINDING TYPE**

Attendance  
State Compliance  
CalSTRS  
Miscellaneous  
Classroom Teacher Salaries  
Instructional Materials  
Teacher Misassignments  
School Accountability Report Card

*There were no state award findings and questioned costs for the year ended June 30, 2014.*

LA MESA-SPRING VALLEY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014

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*There were no findings for the year ended June 30, 2013.*