

LA MESA-SPRING VALLEY SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2013

San Diego

Los Angeles

San Francisco
Bay Area

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

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

LA MESA, CALIFORNIA

JUNE 30, 2013

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

Member	Office	Term Expires
Bob Duff	President	December, 2014
Emma Turner	Vice President	December, 2016
Rick Winet	Clerk	December, 2014
Bill Baber	Member	December, 2016
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

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
 TABLE OF CONTENTS
 FOR THE YEAR ENDED JUNE 30, 2013**

FINANCIAL SECTION

Independent Auditors' Report	1
Management's Discussion and Analysis.....	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Governmental Funds – Balance Sheet.....	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances.....	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	16
Proprietary Funds – Statement of Net Position	18
Proprietary Funds – Statement of Revenues, Expenses, and Changes in Net Position.....	19
Proprietary Funds – Statement of Cash Flows.....	20
Fiduciary Funds – Statement of Net Position.....	21
Notes to Financial Statements	22

REQUIRED SUPPLEMENTARY INFORMATION

General Fund – Budgetary Comparison Schedule	48
Schedule of Funding Progress	49
Notes to Required Supplementary Information.....	50

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	51
Schedule of Average Daily Attendance (ADA).....	52
Schedule of Instructional Time.....	53
Schedule of Financial Trends and Analysis	54
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements.....	55
Combining Statements – Non-Major Governmental Funds	
Combining Balance Sheet.....	56
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	57
Notes to Supplementary Information.....	58

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2013**

OTHER INDEPENDENT AUDITORS' REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 60
Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133 62
Report on State Compliance..... 64

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results 67
Financial Statement Findings..... 68
Federal Award Findings and Questioned Costs 69
State Award Findings and Questioned Costs..... 70
Summary Schedule of Prior Audit Findings 71

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Christy White, CPA

John Dominguez, CPA, CFE

Tanya M. Rogers, CPA, CFE

Michael Ash, CPA

Heather Daud

SAN DIEGO

LOS ANGELES

SAN FRANCISCO/BAY AREA

Corporate Office:

2727 Camino Del Rio South
Suite 219
San Diego, CA 92108

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

*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, 2013, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 10, the budgetary comparison information on page 48, and the schedule of funding progress on page 49 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 3, 2013 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 3, 2013

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

INTRODUCTION

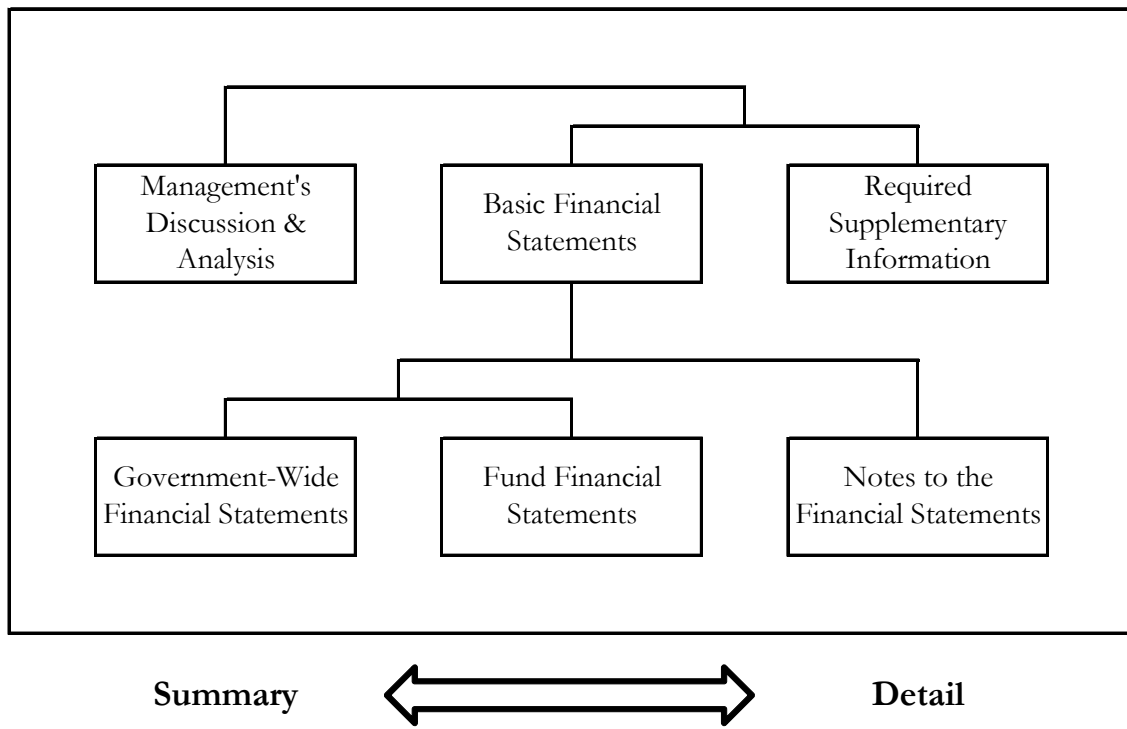
Our discussion and analysis of La Mesa-Spring Valley School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2013. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ▶ Total net position was \$38,198,894 at June 30, 2013. This was a decrease of \$5,042,504 from the prior year's restated net position.
- ▶ Overall revenues were \$105,657,981 which was exceeded by expenses of \$110,700,485.
- ▶ General Fund revenues and other financing sources were exceeded by expenditures and other financing uses by \$1,476,451.

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, 2013

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, 2013**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District had net position of \$38,001,070 related to governmental activities and \$197,824 related to business-type activities at June 30, 2013 as shown below:

	Governmental Activities			Business-Type Activities		
	2013	2012	Net Change	2013	2012	Net Change
ASSETS						
Current and other assets	\$ 28,051,917	\$ 31,749,774	\$ (3,697,857)	\$ 338,330	\$ 533,073	\$ (194,743)
Capital assets	75,441,050	77,995,950	(2,554,900)	-	-	-
Total Assets	103,492,967	109,745,724	(6,252,757)	338,330	533,073	(194,743)
LIABILITIES						
Current liabilities	14,497,599	16,082,505	(1,584,906)	140,506	64,264	76,242
Long-term liabilities	50,994,298	50,097,270	897,028	-	-	-
Total Liabilities	65,491,897	66,179,775	(687,878)	140,506	64,264	76,242
NET POSITION						
Net investment in capital assets	39,507,533	41,625,339	(2,117,806)	-	-	-
Restricted	5,730,878	5,627,797	103,081	-	-	-
Unrestricted	(7,237,341)	(3,687,187)	(3,550,154)	197,824	468,809	(270,985)
Total Net Position	\$ 38,001,070	\$ 43,565,949	\$ (5,564,879)	\$ 197,824	\$ 468,809	\$ (270,985)

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

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 \$102,123,610, primarily from federal and state aid and categorical programs and property taxes.

The District's total expenditures relating to governmental activities were \$106,895,129, predominately related to educating and caring for students.

	Governmental Activities			Business-Type Activities		
	2013	2012	Net Change	2013	2012	Net Change
REVENUES						
Program revenues						
Charges for services	\$ 2,367,486	\$ 2,481,772	\$ (114,286)	\$ 3,331,547	\$ 3,363,417	\$ (31,870)
Operating grants and contributions	21,621,662	21,798,839	(177,177)	6,727	11,051	(4,324)
General revenues						
Property taxes	25,932,118	24,033,555	1,898,563	-	-	-
Unrestricted federal and state aid	51,292,943	51,931,950	(639,007)	-	-	-
Other	909,401	1,088,428	(179,027)	196,097	220,341	(24,244)
Total Revenues	102,123,610	101,334,544	789,066	3,534,371	3,594,809	(60,438)
EXPENSES						
Instruction	61,652,759	60,135,016	1,517,743	-	-	-
Instruction-related services	10,381,215	11,052,567	(671,352)	-	-	-
Pupil services	15,341,447	15,644,870	(303,423)	-	-	-
General administration	3,905,639	4,201,259	(295,620)	-	-	-
Plant services	7,918,049	7,705,412	212,637	-	-	-
Ancillary and community services	1,524,083	1,406,450	117,633	-	-	-
Debt service	2,083,484	1,441,180	642,304	-	-	-
Other Outgo	71,852	324,999	(253,147)	-	-	-
Depreciation	4,006,191	3,954,216	51,975	-	-	-
Other	10,410	8,656	1,754	3,805,356	3,636,347	169,009
Total Expenses	106,895,129	105,874,625	1,020,504	3,805,356	3,636,347	169,009
Change in net position	(4,771,519)	(4,540,081)	(231,438)	(270,985)	(41,538)	(229,447)
Net Position - Beginning	43,565,949	48,106,030	(4,540,081)	468,809	510,347	(41,538)
Prior period adjustment	(793,360)	-	(793,360)	-	-	-
Net Position - Ending	\$ 38,001,070	\$ 43,565,949	\$ (5,564,879)	\$ 197,824	\$ 468,809	\$ (270,985)

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

The net cost of services for governmental activities was \$82,905,981 in the current year compared to \$81,594,014 in the prior year as shown below:

	Net Cost of Services	
	2013	2012
Instruction	\$ 51,178,802	\$ 49,116,339
Instruction-related services	8,555,459	8,794,541
Pupil services	5,408,199	6,347,341
General administration	3,460,742	3,702,854
Plant services	7,917,153	7,614,597
Ancillary and community services	223,668	296,664
Debt service	2,083,484	1,441,180
Transfers to other agencies	71,447	324,488
Depreciation	4,006,191	3,954,216
Other	836	1,794
Total Expenses	\$ 82,905,981	\$ 81,594,014

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 \$16,436,086, which is less than last year's ending fund balance of \$18,759,132. The District's General Fund had \$1,876,404 less in operating revenues than expenditures for the year ended June 30, 2013, offset by a transfer in of \$399,953, leading to a decrease in fund balance of \$1,476,451 from the prior year.

CURRENT YEAR BUDGET 2012-13

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, 2013**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2012-13 the District had invested \$75,441,050 in capital assets, net of accumulated depreciation. The District had multiple small projects in 2012-13 that were more than offset by the depreciation expense on capital assets, leading to a decrease in capital assets of \$2,554,900 from the prior year.

	Governmental Activities		
	2013	2012	Net Change
CAPITAL ASSETS			
Land	\$ 16,201,920	\$ 16,201,920	\$ -
Construction in progress	586,772	617,245	(30,473)
Land improvements	5,451,520	4,105,683	1,345,837
Buildings & improvements	98,533,825	98,493,670	40,155
Furniture & equipment	8,908,451	8,812,679	95,772
Accumulated depreciation	(54,241,438)	(50,235,247)	(4,006,191)
Total Capital Assets	\$ 75,441,050	\$ 77,995,950	\$ (2,554,900)

Long-Term Debt

At year-end, the District had \$50,994,298 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.)

	Governmental Activities		
	2013	2012	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 42,630,814	\$ 42,560,622	\$ 70,192
Capital leases	54,653	82,097	(27,444)
Early retirement incentive	1,012,012	1,894,660	(882,648)
Compensated absences	821,663	852,350	(30,687)
Net OPEB obligation	8,899,945	7,317,633	1,582,312
Long-term Liabilities	\$ 53,419,087	\$ 52,707,362	\$ 711,725
Less: Current portion	(2,424,789)	(2,610,092)	185,303
Total Long-term Liabilities	\$ 50,994,298	\$ 50,097,270	\$ 897,028

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

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

Assembly Bill 97 (Chapter 47, Statutes of 2013), as amended by Senate Bills 91 and 97, enacted landmark legislation reform in California school district finance by creating the new Local Control Funding Formula (LCFF). The District is analyzing 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.

Factors related to LCFF that the District is in the process of evaluating include estimates of new funding in the next budget year and beyond; creation of the Local Control and Accountability Plan (LCAP) for fiscal year 2014-15 that aims to link student accountability measurements to funding allocations; ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, meeting new compliance and audit requirements.

The State's economy "mirrors the slow growth of the nation", this is according to the UCLA Newsroom reporting on the September 2013 Anderson Economic Forecast. "While the economy is returning to normal, it is still operating well below what would have been expected prior to the recession." The ability of the State to fund the new LCFF is largely dependent on the strength of the State's economy and remains uncertain.

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 2013-14 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the 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, 2013

	Governmental	Business-Type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 11,829,762	\$ 842,196	\$ 12,671,958
Accounts receivable	15,499,272	715	15,499,987
Internal balances	504,581	(504,581)	-
Inventory	218,302	-	218,302
Capital assets, not depreciated	16,788,692	-	16,788,692
Capital assets, net of accumulated depreciation	58,652,358	-	58,652,358
Total Assets	103,492,967	338,330	103,831,297
LIABILITIES			
Accrued liabilities	2,301,227	140,506	2,441,733
Current loans	9,575,648	-	9,575,648
Unearned revenue	195,935	-	195,935
Long-term liabilities, current portion	2,424,789	-	2,424,789
Long-term liabilities, non-current portion	50,994,298	-	50,994,298
Total Liabilities	65,491,897	140,506	65,632,403
NET POSITION			
Net investment in capital assets	39,507,533	-	39,507,533
Restricted:			
Capital projects	491,088	-	491,088
Debt service	2,958,046	-	2,958,046
Educational programs	1,558,408	-	1,558,408
All others	723,336	-	723,336
Unrestricted	(7,237,341)	197,824	(7,039,517)
Total Net Position	\$ 38,001,070	\$ 197,824	\$ 38,198,894

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, 2013**

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
GOVERNMENTAL ACTIVITIES						
Instruction	\$ 61,652,759	\$ 13,391	\$ 10,460,566	\$ (51,178,802)	\$ -	\$ (51,178,802)
Instruction-related services						
Instructional supervision and administration	2,645,395	2,781	1,760,965	(881,649)	-	(881,649)
Instructional library, media, and technology	1,969,469	-	13,253	(1,956,216)	-	(1,956,216)
School site administration	5,766,351	1,252	47,505	(5,717,594)	-	(5,717,594)
Pupil services						
Home-to-school transportation	3,347,761	23,249	1,356,247	(1,968,265)	-	(1,968,265)
Food services	5,433,743	896,053	4,538,548	858	-	858
All other pupil services	6,559,943	95,920	3,023,231	(3,440,792)	-	(3,440,792)
General administration						
Centralized data processing	665,773	-	-	(665,773)	-	(665,773)
All other general administration	3,239,866	85,643	359,254	(2,794,969)	-	(2,794,969)
Plant services	7,918,049	2	894	(7,917,153)	-	(7,917,153)
Ancillary services	295,057	-	61,199	(233,858)	-	(233,858)
Community services	1,229,026	1,239,216	-	10,190	-	10,190
Enterprise activities	10,410	9,574	-	(836)	-	(836)
Interest on long-term debt	2,083,484	-	-	(2,083,484)	-	(2,083,484)
Other Outgo	71,852	405	-	(71,447)	-	(71,447)
Depreciation (unallocated)	4,006,191	-	-	(4,006,191)	-	(4,006,191)
Total Governmental Activities	\$ 106,895,129	\$ 2,367,486	\$ 21,621,662	(82,905,981)		
BUSINESS-TYPE ACTIVITIES						
Enterprise activities	3,805,356	3,331,547	6,727		(467,082)	
Total Business-Type Activities	3,805,356	3,331,547	6,727		\$ (467,082)	
Total School District	\$ 110,700,485	\$ 5,699,033	\$ 21,628,389			\$ (83,373,063)
General revenues						
Taxes and subventions						
Property taxes, levied for general purposes				22,804,574	-	22,804,574
Property taxes, levied for debt service				3,092,211	-	3,092,211
Property taxes, levied for other specific purposes				35,333	-	35,333
Federal and state aid not restricted for specific purposes				51,292,943	-	51,292,943
Interest and investment earnings				48,156	-	48,156
Miscellaneous				861,245	196,097	1,057,342
Subtotal, General Revenue				78,134,462	196,097	78,330,559
CHANGE IN NET POSITION						
Net Position - Beginning				43,565,949	468,809	44,034,758
Prior Period Adjustment				(793,360)	-	(793,360)
Net Position - Ending				\$ 38,001,070	\$ 197,824	\$ 38,198,894

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

LA MESA-SPRING VALLEY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013

	General Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 7,851,421	\$ 2,958,046	\$ 1,020,295	\$ 11,829,762
Accounts receivable	14,587,439	-	911,833	15,499,272
Due from other funds	738,920	-	14,474	753,394
Stores inventory	146,502	-	71,800	218,302
Total Assets	\$ 23,324,282	\$ 2,958,046	\$ 2,018,402	\$ 28,300,730
LIABILITIES				
Accrued liabilities	\$ 1,720,627	\$ -	\$ 123,621	\$ 1,844,248
Due to other funds	7,380	-	241,433	248,813
Current loans	9,575,648	-	-	9,575,648
Unearned revenue	81,068	-	114,867	195,935
Total Liabilities	11,384,723	-	479,921	11,864,644
FUND BALANCES				
Nonspendable	190,152	-	71,800	261,952
Restricted	1,522,135	2,958,046	1,466,681	5,946,862
Assigned	7,470,905	-	-	7,470,905
Unassigned	2,756,367	-	-	2,756,367
Total Fund Balances	11,939,559	2,958,046	1,538,481	16,436,086
Total Liabilities and Fund Balances	\$ 23,324,282	\$ 2,958,046	\$ 2,018,402	\$ 28,300,730

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, 2013**

Total Fund Balance - Governmental Funds \$ 16,436,086

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	\$ 129,682,488	
Accumulated depreciation	<u>(54,241,438)</u>	75,441,050

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:

(456,979)

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	\$ 42,630,814	
Capital leases	54,653	
Early retirement incentive	1,012,012	
Compensated absences	821,663	
Net OPEB obligation	<u>8,899,945</u>	(53,419,087)

Total Net Position - Governmental Activities \$ 38,001,070

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, 2013**

	General Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Revenue limit sources	\$ 60,691,142	\$ -	\$ -	\$ 60,691,142
Federal sources	6,515,328	-	4,777,922	11,293,250
Other state sources	17,380,897	42,601	791,613	18,215,111
Other local sources	7,778,538	3,055,151	1,090,418	11,924,107
Total Revenues	92,365,905	3,097,752	6,659,953	102,123,610
EXPENDITURES				
Current				
Instruction	60,609,681	-	380,394	60,990,075
Instruction-related services				
Instructional supervision and administration	2,547,082	-	98,313	2,645,395
Instructional library, media, and technology	1,969,469	-	-	1,969,469
School site administration	5,717,595	-	48,756	5,766,351
Pupil services				
Home-to-school transportation	3,369,978	-	-	3,369,978
Food services	32	-	5,433,711	5,433,743
All other pupil services	6,559,943	-	-	6,559,943
General administration				
Centralized data processing	893,625	-	-	893,625
All other general administration	3,038,312	-	201,554	3,239,866
Plant services				
Facilities acquisition and maintenance	7,899,708	-	17,690	7,917,398
Ancillary services	8,863	-	1,186,717	1,195,580
Ancillary services	295,057	-	-	295,057
Community services	1,229,026	-	-	1,229,026
Enterprise activities	1,198	-	9,212	10,410
Debt service				
Principal	27,444	1,700,000	-	1,727,444
Interest and other	75,296	1,128,000	-	1,203,296
Total Expenditures	94,242,309	2,828,000	7,376,347	104,446,656
Excess (Deficiency) of Revenues				
Over Expenditures	(1,876,404)	269,752	(716,394)	(2,323,046)
Other Financing Sources (Uses)				
Transfers in	399,953	-	-	399,953
Transfers out	-	-	(399,953)	(399,953)
Net Financing Sources (Uses)	399,953	-	(399,953)	-
NET CHANGE IN FUND BALANCE	(1,476,451)	269,752	(1,116,347)	(2,323,046)
Fund Balance - Beginning	13,416,010	2,688,294	2,654,828	18,759,132
Fund Balance - Ending	\$ 11,939,559	\$ 2,958,046	\$ 1,538,481	\$ 16,436,086

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, 2013**

Net Change in Fund Balances - Governmental Funds \$ (2,323,046)

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:	\$ 1,451,291	
Depreciation expense:	<u>(4,006,191)</u>	(2,554,900)

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:

1,727,444

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:

24,792

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.

(976,832)

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

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:

30,687

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:

(1,582,312)

Other liabilities not normally liquidated with current financial resources:

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

882,648

Change in Net Position of Governmental Activities

\$ (4,771,519)

LA MESA-SPRING VALLEY SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2013

	Business-Type Activities	
	Child Care Fund	
ASSETS		
Current assets		
Cash and cash equivalents	\$	842,196
Accounts receivable		715
Due from other funds		245
Total current assets		<u>843,156</u>
Total Assets		<u>843,156</u>
LIABILITIES		
Current liabilities		
Accrued liabilities		140,506
Due to other funds		504,826
Total current liabilities		<u>645,332</u>
Total Liabilities		<u>645,332</u>
NET POSITION		
Unrestricted		197,824
Total Net Position	\$	<u>197,824</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, 2013

	Business-Type Activities
	Child Care Fund
OPERATING REVENUE	
Charges for services	\$ 3,527,644
Other local revenues	4,661
Total operating revenues	3,532,305
OPERATING EXPENSE	
Salaries and benefits	3,065,404
Supplies and materials	38,415
Professional services	701,537
Total operating expenses	3,805,356
Operating income/(loss)	(273,051)
NON-OPERATING REVENUES/(EXPENSES)	
Interest income	2,066
Total non-operating revenues/(expenses)	2,066
CHANGE IN NET POSITION	(270,985)
Net Position - Beginning	468,809
Net Position - Ending	\$ 197,824

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, 2013

	Business-Type Activities
	Child Care Fund
Cash flows from operating activities	
Cash received from user charges	\$ 3,811,062
Cash payments for payroll, insurance, and operating costs	(3,268,205)
Net cash provided by (used for) operating activities	<u>542,857</u>
Cash flows from investing activities	
Interest received	2,066
Net cash provided by (used for) investing activities	<u>2,066</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>544,923</u>
CASH AND CASH EQUIVALENTS	
Beginning of year	297,273
End of year	<u>\$ 842,196</u>
Reconciliation of operating income (loss) to cash provided by (used for) operating activities	
Operating income (loss)	\$ (273,051)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	12,295
(Increase) decrease in due from other funds	266,462
Increase (decrease) in accrued liabilities	76,242
Increase (decrease) in due to other funds	460,909
Net cash provided by (used for) operating activities	<u>\$ 542,857</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, 2013

	Agency Funds	
	Peter Pan Fund	Student Body Fund
ASSETS		
Cash and cash equivalents	\$ 29,881	\$ 181,411
Total Assets	\$ 29,881	\$ 181,411
LIABILITIES		
Due to student groups	\$ -	\$ 181,411
Due to other groups	29,881	-
Total Liabilities	\$ 29,881	\$ 181,411

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

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013

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, 2013

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, 2013

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, 2013

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, Liabilities, 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, 2013

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

E. Assets, Liabilities, 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 Position

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, 2013

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

E. Assets, Liabilities, 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.

Deferred Issuance Costs, 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, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

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.

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.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2013

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

E. Assets, Liabilities, Fund Balance and Net Position (*continued*)

Fund Balance (*continued*)

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.

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.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2013

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

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.

J. New Accounting Pronouncements

GASB Statement No. 61 – In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No.14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity and modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement is effective for periods beginning after June 15, 2012. The District has implemented GASB Statement No. 61 for the year ended June 30, 2013.

GASB Statement No. 62 – In December 2010, GASB issued Statement No. 62, *Codifications of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedures that were issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The Statement is effective for periods beginning after December 15, 2011. The District has implemented GASB Statement No. 62 for the year ended June 30, 2013.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2013

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

J. New Accounting Pronouncements (*continued*)

GASB Statement No. 63 - In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred inflows of resources and amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definition of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Statement is effective for periods beginning after December 15, 2011. The District has implemented GASB Statement No. 63 for the year ended June 30, 2013.

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 not yet determined the impact on the financial statements.

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.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2013

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Activities	Business-Type Activities	Fiduciary Funds
Cash in county	\$ 11,693,049	\$ 842,196	\$ -
Cash on hand and in banks	-	-	211,292
Cash with fiscal agent	93,063	-	-
Cash in revolving fund	43,650	-	-
Total cash and cash equivalents	\$ 11,829,762	\$ 842,196	\$ 211,292

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 \$93,063 recorded in the Building Fund. The monies are held by Union Bank and are restricted for construction costs relating to the District’s Proposition M bond.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

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 \$12,523,328 and an amortized book value of \$12,535,245. The average weighted maturity for this pool is 393 days.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2013

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, 2013, the pooled investments in the County Treasury were rated AA Af/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, 2013, the District's bank balance was not exposed to custodial credit risk.

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities	Total Business- Type Activities
Federal Government				
Categorical aid	\$ 1,796,026	\$ 840,334	\$ 2,636,360	\$ -
State Government				
Apportionment	7,357,177	-	7,357,177	-
Categorical aid	2,413,925	62,736	2,476,661	-
Lottery	969,175	-	969,175	-
Local Government				
Other local sources	2,051,136	8,763	2,059,899	715
Total	\$ 14,587,439	\$ 911,833	\$ 15,499,272	\$ 715

LA MESA-SPRING VALLEY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2013

NOTE 4 – CAPITAL ASSETS

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

	Balance July 01, 2012	Additions	Deletions	Balance June 30, 2013
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 16,201,920	\$ -	\$ -	\$ 16,201,920
Construction in progress	617,245	322,580	353,053	586,772
Total Capital Assets not Being Depreciated	16,819,165	322,580	353,053	16,788,692
Capital assets being depreciated				
Land improvements	4,105,683	1,345,837	-	5,451,520
Buildings & improvements	98,493,670	40,155	-	98,533,825
Furniture & equipment	8,812,679	95,772	-	8,908,451
Total Capital Assets Being Depreciated	111,412,032	1,481,764	-	112,893,796
Less Accumulated Depreciation				
Land improvements	2,551,993	131,876	-	2,683,869
Buildings & improvements	41,778,274	3,484,449	-	45,262,723
Furniture & equipment	5,904,980	389,866	-	6,294,846
Total Accumulated Depreciation	50,235,247	4,006,191	-	54,241,438
Governmental Activities				
Capital Assets, net	\$ 77,995,950	\$ (2,201,847)	\$ 353,053	\$ 75,441,050

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

Individual interfund receivable and payable balances at June 30, 2013 were as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Funds:		
General Fund	\$ 738,920	\$ 7,380
Non-Major Governmental Funds:		
Child Development Fund	11,433	310
Cafeteria Fund	3,041	241,123
Proprietary Funds:		
Child Care Fund	245	504,826
Total	\$ 753,639	\$ 753,639

LA MESA-SPRING VALLEY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2013

NOTE 5 – INTERFUND TRANSACTIONS (continued)

B. Operating Transfers

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

Interfund Transfers Out	Interfund Transfers In	
	General Fund	Total
Non-Major Governmental Funds	\$ 399,953	\$ 399,953
Total Interfund Transfers	\$ 399,953	\$ 399,953

Transfer from the Special Reserve Fund for Capital Outlay Projects to the General Fund for early retirement incentive payment	\$ 399,563
Transfer from the Cafeteria Fund to the General Fund for vending revenue	390
Total	\$ 399,953

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2013 consisted of the following:

	Non-Major Governmental		Total Governmental		Total Business-Type Activities
	General Fund	Funds	District-Wide	Activities	
Payroll	\$ 1,009,919	\$ 45,706	\$ -	\$ 1,055,625	\$ 139,461
Vendors payable	710,708	77,915	-	788,623	1,045
Unmatured interest	-	-	456,979	456,979	-
Total	\$ 1,720,627	\$ 123,621	\$ 456,979	\$ 2,301,227	\$ 140,506

NOTE 7 – UNEARNED REVENUE

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

	Non-Major Governmental		Total Governmental	
	General Fund	Funds	Activities	
Federal sources	\$ 81,068	\$ -	\$ 81,068	
Local sources	-	114,867	114,867	
Total	\$ 81,068	\$ 114,867	\$ 195,935	

LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 8 – CURRENT LOANS

In March 2013, the District received a temporary loan of \$10,625,751 from the San Diego County Treasury bearing interest at 0.75 percent. The temporary loan was received to supplement cash flows. As of June 30, 2013, the District had made principal payments of \$1,050,103 leaving a balance outstanding of \$9,575,648.

NOTE 9 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2013 consisted of the following:

	Balance				Balance	Balance Due
	July 01, 2012	Adjustments	Additions	Deductions	June 30, 2013	In One Year
Governmental Activities						
General obligation bonds	\$ 37,354,708	\$ 440,140	\$ -	\$ 1,700,000	\$ 36,094,848	\$ 1,890,000
Accreted interest	5,205,914	353,220	976,832	-	6,535,966	-
Total general obligation bonds	42,560,622	793,360	976,832	1,700,000	42,630,814	1,890,000
Capital leases	82,097	-	-	27,444	54,653	28,783
Early retirement incentive	1,894,660	-	-	882,648	1,012,012	506,006
Compensated absences	852,350	-	-	30,687	821,663	-
Net OPEB obligation	7,317,633	-	1,582,312	-	8,899,945	-
Total	\$ 52,707,362	\$ 793,360	\$ 2,559,144	\$ 2,640,779	\$ 53,419,087	\$ 2,424,789

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2013 amounted to \$821,663. 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. The 2005 General Obligation Refunding Bonds amounted to \$31,885,000, the 2002 General Obligation Bonds, Series B amounted to \$12,669,709 and the remaining outstanding Series A bonds amounted to \$440,140, resulting in total bond indebtedness of \$44,994,849, as described below:

- The 2005 General Obligation Refunding Bonds consist of current interest serial bonds of \$31,885,000 with stated interest rates ranging from 3.0% to 5.0% and fully maturing on August 1, 2021. The principal balance outstanding as of June 30, 2013 is \$23,225,000.
- 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, 2013 is \$18,562,014, which includes accreted interest on the capital appreciation bonds.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013**

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, 2013 is \$843,800, which includes accreted interest.

The annual requirements to amortize all general obligation bonds payable outstanding at June 30, 2013 were as follows:

Year Ended June 30,	Principal*	Interest	Total
2014	\$ 1,890,000	\$ 1,096,750	\$ 2,986,750
2015	2,095,000	1,025,625	3,120,625
2016	2,325,000	935,813	3,260,813
2017	2,565,000	836,562	3,401,562
2018	2,850,000	708,313	3,558,313
2019 - 2023	14,583,237	5,313,761	19,896,998
2024 - 2028	8,201,113	15,768,888	23,970,001
2029	1,585,498	3,849,502	5,435,000
Total	\$ 36,094,848	\$ 29,535,214	\$ 65,630,062

* Excludes Accreted Interest of \$6,535,966

C. Lease Agreement

On November 26, 1997, the District entered into a leasing agreement with Xerox for photocopy equipment. The term of the lease ended in April, 2010 and went to a month to month agreement through June 2010. Effective May 26, 2010 the District entered into lease agreement with Ricoh Business Solutions, and the lease was subsequently sold to De Lage Laden Public Finance. Future minimum lease payments under this agreement are as follows:

Year Ended June 30,	Lease Payment
2014	\$ 30,888
2015	26,657
Total minimum lease payments	57,545
Less amount representing interest	(2,892)
Present value of minimum lease payments	\$ 54,653

LA MESA-SPRING VALLEY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2013

NOTE 9 – LONG-TERM DEBT (continued)

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, 2013, the outstanding balance related to the District’s early retirement incentive liability was \$1,012,012. The outstanding balance will be paid in equal installments of \$506,006 during fiscal years 2014 and 2015.

NOTE 10 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2013:

	General Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	\$ 43,650	\$ -	\$ -	\$ 43,650
Stores inventory	146,502	-	71,800	218,302
Total non-spendable	190,152	-	71,800	261,952
Restricted				
Educational programs	1,522,135	-	36,273	1,558,408
Capital projects	-	-	707,072	707,072
Debt service	-	2,958,046	-	2,958,046
All others	-	-	723,336	723,336
Total restricted	1,522,135	2,958,046	1,466,681	5,946,862
Assigned				
Donations and minigrants carryover	288,622	-	-	288,622
Additional 2% reserve	1,837,578	-	-	1,837,578
Option out funds	1,756,376	-	-	1,756,376
Vacation balance	821,663	-	-	821,663
Site discretionary	181,260	-	-	181,260
Local control funding formula reserve	2,585,406	-	-	2,585,406
Total assigned	7,470,905	-	-	7,470,905
Unassigned				
Reserve for economic uncertainties	2,756,367	-	-	2,756,367
Total unassigned	2,756,367	-	-	2,756,367
Total	\$ 11,939,559	\$ 2,958,046	\$ 1,538,481	\$ 16,436,086

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, 2013

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, 2011 actuarial study consisted of the following:

Retirees and beneficiaries receiving benefits	189
Active plan members	1,052
Total	<u>1,241</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 2012-13, the District contributed \$1,259,313.

As of June 30, 2013, 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, 2013

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	\$ 2,951,766
Interest on net OPEB obligation	365,882
Adjustment to annual required contribution	(476,023)
Annual OPEB cost (expense)	<u>2,841,625</u>
Contributions made	<u>(1,259,313)</u>
Increase (decrease) in net OPEB obligation	1,582,312
Net OPEB obligation, beginning of the year	<u>7,317,633</u>
Net OPEB obligation, end of the year	<u>\$ 8,899,945</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, 2013 and the preceding two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2013	\$ 2,841,625	44%	\$ 8,899,945
2012	\$ 2,864,943	46%	\$ 7,317,633
2011	\$ 2,682,930	53%	\$ 5,768,404

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, 2011	\$ -	\$ 23,972,309	\$ 23,972,309	0%	\$ 66,898,045	36%

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, 2013

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	7/1/2011
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level-Dollar Basis
Remaining Amortization Period	29
Actuarial Assumptions:	
Investment rate of return	5.0%
Discount rate	5.0%
Health care trend rate	4.0%

LA MESA-SPRING VALLEY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2013

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 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 2013 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:

	Contribution	Required Contribution	Percent of Required Contribution
2012-13	\$ 3,886,714	\$ 3,886,714	100%
2011-12	\$ 3,860,955	\$ 3,860,955	100%
2010-11	\$ 3,994,080	\$ 3,994,080	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 \$2,493,774 to CalSTRS (5.176% of 2010-11 creditable compensation subject to CalSTRS).

LA MESA-SPRING VALLEY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2013

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 are required to contribute 7.0% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013 was 11.417% of annual payroll. The contribution requirements of the plan members are established by state statute. The District’s contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Required Contribution	Percent of Required Contribution
2012-13	\$ 1,965,564	\$ 1,965,564	100%
2011-12	\$ 1,853,000	\$ 1,853,000	100%
2010-11	\$ 1,885,799	\$ 1,885,799	100%

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013**

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, 2013.

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, 2013.

C. Construction Commitments

As of June 30, 2013, the District had commitments with respect to unfinished capital projects of \$374,541.

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, 2013

NOTE 15 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts, damage to District assets, errors and omissions, employee injuries and natural disasters. The District participates in a public entity risk pool, as described in Note 14, for claims in excess of insured amounts for workers' compensation and liability protection. The District purchases commercial insurance coverage for other types of risk. There have been no significant reductions in insurance coverage from the prior year.

NOTE 16 – PRIOR PERIOD ADJUSTMENT

Prior period net position was restated due to an inadvertent understatement of the District's General Obligation Bonds outstanding in the amount of \$793,360.

NOTE 17 – SUBSEQUENT EVENTS

In July 2013, the District issued \$6,490,000 of Tax and Revenue Anticipation Notes bearing interest at 2.00 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on January 31, 2014.

In July 2013, the District entered into a lease purchase agreement with Apple, Inc. for 200 laptop computers. The agreement calls for five annual payments of \$48,845, including principal and interest, and ends in July 2017.

In September 2013, the District entered into a lease purchase agreement with Sovereign Bank, N.A. for eleven school buses. The agreement calls for five annual payments of \$311,217, including principal and interest, and ends in September 2017.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
Revenue limit sources	\$ 55,392,797	\$ 60,626,297	\$ 60,691,142	\$ 64,845
Federal sources	6,050,848	6,637,485	6,515,328	(122,157)
Other state sources	13,728,898	14,413,487	14,887,123	473,636
Other local sources	7,585,432	7,798,408	7,775,292	(23,116)
Total Revenues	82,757,975	89,475,677	89,868,885	393,208
EXPENDITURES				
Certificated salaries	45,460,094	47,129,238	47,114,772	14,466
Classified salaries	14,813,897	14,996,806	15,559,969	(563,163)
Employee benefits	18,432,882	18,697,019	18,562,776	134,243
Books and supplies	4,258,304	5,608,207	4,083,236	1,524,971
Services and other operating expenditures	6,270,377	7,215,149	6,322,548	892,601
Capital outlay	77,700	312,272	271,954	40,318
Other outgo				
Excluding transfers of indirect costs	32,559	32,559	30,888	1,671
Transfers of indirect costs	(23,765)	(229,716)	(197,608)	(32,108)
Total Expenditures	89,322,048	93,761,534	91,748,535	2,012,999
Excess (Deficiency) of Revenues				
Over Expenditures	(6,564,073)	(4,285,857)	(1,879,650)	2,406,207
Other Financing Sources (Uses)				
Transfers in	430,563	431,063	432,029	966
Transfers out	(128,282)	(128,282)	(130,354)	(2,072)
Net Financing Sources (Uses)	302,281	302,781	301,675	(1,106)
NET CHANGE IN FUND BALANCE				
Fund Balance - Beginning	12,461,158	12,461,158	12,461,158	-
Fund Balance - Ending	\$ 6,199,366	\$ 8,478,082	\$ 10,883,183	\$ 2,405,101

* 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 \$2,493,774 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.

See accompanying note to required supplementary information.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED JUNE 30, 2013**

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, 2007	\$ -	\$ 31,282,109	\$ 31,282,109	0%	\$ 82,447,563	38%
July 1, 2009	\$ -	\$ 19,541,387	\$ 19,541,387	0%	\$ 82,447,563	24%
July 1, 2011	\$ -	\$ 23,972,309	\$ 23,972,309	0%	\$ 66,898,045	36%

See accompanying note to required supplementary information.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013, 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:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Classified salaries	\$ 14,996,806	\$ 15,559,969	\$ 563,163

**SUPPLEMENTARY
INFORMATION**

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

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 Cluster			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 1,955,554
Title I, Part A, Program Improvement LEA Corrective Action Resources	84.010	14357	52,078
Subtotal Title I, Part A Cluster			<u>2,007,632</u>
Title II, Part A, Teacher Quality	84.367A	14341	477,714
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	439,777
Title III, Immigrant Education	84.365	15146	29,700
Title VIII, Impact Aid	84.041	10015	37,665
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	2,141,859
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	137,006
Part B, Preschool Grants	84.173	13430	188,814
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	315,582
Preschool Staff Development	84.173A	13431	1,251
Subtotal Special Education Cluster			<u>2,784,512</u>
IDEA Early Intervention Grants	84.181	23761	25,040
Total U. S. Department of Education			<u><u>5,802,040</u></u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program, Basic	10.553	13525	28,297
School Breakfast Program, Severe Need	10.553	13526	707,838
National School Lunch Program	10.555	13391	3,114,875
Meal Supplements (After-School Snacks)	10.555	*	33,152
USDA Commodities	10.555	*	358,127
Summer Food Service Program for Children	10.559	13004	48,834
Subtotal Child Nutrition Cluster			<u>4,291,123</u>
Child and Adult Care Food Program	10.558	13666	451,661
Total U. S. Department of Agriculture			<u><u>4,742,784</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	35,138
<i>Passed through California Department of Health Services:</i>			
Medicaid Cluster			
Medi-Cal Billing Option	93.778	10013	477,298
Medi-Cal Administrative Activities	93.778	10060	109,203
Subtotal Medicaid Cluster			<u>586,501</u>
Total U. S. Department of Health & Human Services			<u>621,639</u>
Total Federal Expenditures			<u><u>\$ 11,166,463</u></u>

* - PCS Number not available or not applicable

See accompanying note to supplementary information.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
 FOR THE YEAR ENDED JUNE 30, 2013**

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	1,329	1,377
First through third	3,891	3,890
Fourth through sixth	3,570	3,573
Seventh through eighth	2,348	2,347
Community day school	18	20
Home and hospital	2	2
Special education	353	355
Total Elementary	11,511	11,564
Average Daily Attendance Total	11,511	11,564

See accompanying note to supplementary information.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2013**

Grade Level	1982-83		1986-87		2012-13 Actual Minutes	Number of Days	Status
	Actual Minutes	Actual Minutes Reduced	Minutes Requirement	Minutes Requirement Reduced			
Kindergarten	35,100	34,125	36,000	35,000	52,725	175	Complied
Grade 1	42,330	41,154	50,400	49,000	52,725	175	Complied
Grade 2	42,330	41,154	50,400	49,000	52,725	175	Complied
Grade 3	52,200	50,750	50,400	49,000	52,725	175	Complied
Grade 4	52,200	50,750	54,000	52,500	52,725	175	Complied
Grade 5	52,200	50,750	54,000	52,500	52,725	175	Complied
Grade 6	52,200	50,750	54,000	52,500	52,725	175	Complied
Grade 7	57,060	55,475	54,000	52,500	60,875	175	Complied
Grade 8	57,060	55,475	54,000	52,500	60,875	175	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, 2013**

	2014 (Budget)	2013	2012	2011
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 88,644,923	\$ 90,300,914	\$ 90,948,975	\$ 99,733,112
Expenditures And Other Financing Uses	94,072,293	91,878,889	92,480,371	95,351,763
Net change in Fund Balance	\$ (5,427,370)	\$ (1,577,975)	\$ (1,531,396)	\$ 4,381,349
Ending Fund Balance	\$ 5,455,813	\$ 10,883,183	\$ 12,461,158	\$ 13,992,554
Available Reserves*	\$ 3,009,606	\$ 2,756,367	\$ 6,391,090	\$ 5,539,477
Available Reserves As A Percentage Of Outgo	3.20%	3.00%	6.91%	5.81%
Long-term Debt	\$ 50,994,298	\$ 53,419,087	\$ 52,707,362	\$ 53,090,316
Average Daily Attendance At P-2	11,375	11,511	11,905	11,874

The General Fund balance has decreased by \$3,109,371 over the past two years. The fiscal year 2013-14 budget projects a decrease of \$5,427,370. 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 two of the past three years and anticipates incurring an operating deficit during the 2013-14 fiscal year. Total long term obligations have increased by \$328,771 over the past two years.

Average daily attendance has decreased by 363 ADA over the past two years. A further decrease in ADA is anticipated during the 2013-14 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. Also, on behalf payments of \$2,493,774 are not included in the revenues and expenditures reported in 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, 2013**

	General Fund	Special Reserve Fund for Other Than Capital Outlay Projects
June 30, 2013, annual financial and budget report fund balance	\$ 10,883,183	\$ 1,056,376
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Fund balance transfer (GASB 54)	1,056,376	(1,056,376)
Net adjustments and reclassifications	1,056,376	(1,056,376)
June 30, 2013, audited financial statement fund balance	\$ 11,939,559	\$ -

See accompanying note to supplementary information.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 JUNE 30, 2013

	Child Development Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 78,149	\$ 235,523	\$ 215,884	\$ 465,578	\$ 25,161	\$ 1,020,295
Accounts receivable	2,007	909,377	100	329	20	911,833
Due from other funds	11,433	3,041	-	-	-	14,474
Stores inventory	-	71,800	-	-	-	71,800
Total Assets	\$ 91,589	\$ 1,219,741	\$ 215,984	\$ 465,907	\$ 25,181	\$ 2,018,402
LIABILITIES						
Accrued liabilities	\$ 55,006	\$ 68,615	\$ -	\$ -	\$ -	\$ 123,621
Due to other funds	310	241,123	-	-	-	241,433
Unearned revenue	-	114,867	-	-	-	114,867
Total Liabilities	55,316	424,605	-	-	-	479,921
FUND BALANCES						
Non-spendable	-	71,800	-	-	-	71,800
Restricted	36,273	723,336	215,984	465,907	25,181	1,466,681
Total Fund Balances	36,273	795,136	215,984	465,907	25,181	1,538,481
Total Liabilities and Fund Balance	\$ 91,589	\$ 1,219,741	\$ 215,984	\$ 465,907	\$ 25,181	\$ 2,018,402

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, 2013**

	Child Development Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
REVENUES						
Federal sources	\$ 35,138	\$ 4,742,784	\$ -	\$ -	\$ -	\$ 4,777,922
Other state sources	468,665	322,948	-	-	-	791,613
Other local sources	17,823	996,715	568	74,822	490	1,090,418
Total Revenues	521,626	6,062,447	568	74,822	490	6,659,953
EXPENDITURES						
Current						
Instruction	380,394	-	-	-	-	380,394
Instruction-related services						
Instructional supervision and administration	98,313	-	-	-	-	98,313
School site administration	48,756	-	-	-	-	48,756
Pupil services						
Food services	-	5,433,711	-	-	-	5,433,711
General administration						
All other general administration	94	197,514	-	3,946	-	201,554
Plant services	62	-	-	17,628	-	17,690
Facilities acquisition and maintenance	-	-	850,778	335,939	-	1,186,717
Enterprise activities	-	9,212	-	-	-	9,212
Total Expenditures	527,619	5,640,437	850,778	357,513	-	7,376,347
Excess (Deficiency) of Revenues						
Over Expenditures	(5,993)	422,010	(850,210)	(282,691)	490	(716,394)
Other Financing Sources (Uses)						
Transfers out	-	(390)	-	-	(399,563)	(399,953)
Net Financing Sources (Uses)	-	(390)	-	-	(399,563)	(399,953)
NET CHANGE IN FUND BALANCE	(5,993)	421,620	(850,210)	(282,691)	(399,073)	(1,116,347)
Fund Balance - Beginning	42,266	373,516	1,066,194	748,598	424,254	2,654,828
Fund Balance - Ending	\$ 36,273	\$ 795,136	\$ 215,984	\$ 465,907	\$ 25,181	\$ 1,538,481

See accompanying note to supplementary information.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
 NOTES TO SUPPLEMENTARY INFORMATION
 JUNE 30, 2013**

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, 2013 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2013.

	CFDA	
	Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 11,293,250
Medi-Cal Billing Option	93.778	<u>(126,787)</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$11,166,463</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

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

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by *Education Code Section 46201*. 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, 2013

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)

**OTHER INDEPENDENT
AUDITORS' REPORTS**

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

Christy White, CPA

John Dominguez, CPA, CFE

Tanya M. Rogers, CPA, CFE

Michael Ash, CPA

Heather Daud

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
2727 Camino Del Rio South
Suite 219
San Diego, CA 92108

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

*Licensed by the California
State Board of Accountancy*

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, 2013, 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 3, 2013.

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.

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*.

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.

A handwritten signature in cursive script that reads "Christy White Associates".

San Diego, California

December 3, 2013

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

Christy White, CPA

John Dominguez, CPA, CFE

Tanya M. Rogers, CPA, CFE

Michael Ash, CPA

Heather Daud

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
2727 Camino Del Rio South
Suite 219
San Diego, CA 92108

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

*Licensed by the California
State Board of Accountancy*

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, 2013. 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, 2013.

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 3, 2013

REPORT ON STATE COMPLIANCE

Christy White, CPA

John Dominguez, CPA, CFE

Tanya M. Rogers, CPA, CFE

Michael Ash, CPA

Heather Daud

SAN DIEGO

LOS ANGELES

SAN FRANCISCO/BAY AREA

Corporate Office:

2727 Camino Del Rio South
Suite 219
San Diego, CA 92108

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

*Licensed by the California
State Board of Accountancy*

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 2012-13*, 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, 2013, 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 2012-13*, 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, 2013.

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:

<u>PROGRAM NAME</u>	<u>PROCEDURES IN AUDIT GUIDE</u>	<u>PROCEDURES PERFORMED</u>
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	6	Yes
County Offices of Education	3	Not Applicable
Instructional Materials, general requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Class Size Reduction (including in charter schools):		
General requirements	7	Yes
Option One	3	Yes
Option Two	4	Not Applicable
Districts or charter schools with only one school serving K - 3	4	Not Applicable

(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
Contemporaneous Records of Attendance; for charter schools	1	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

Christy White Associates

San Diego, California
December 3, 2013

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2013**

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>None Reported</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>84.027, 84.027A, 84.173, 84.173A</u>	<u>IDEA Special Education Cluster</u>
<u>84.367A</u>	<u>Title II, Part A, Teacher Quality</u>
<u>10.558</u>	<u>Child and Adult Food Care Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 334,994
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over state programs:	
Material weakness(es) 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, 2013

FIVE DIGIT CODE

20000

30000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

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

LA MESA-SPRING VALLEY SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013.

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

FINDING #2012-1: ASSOCIATED STUDENT BODY (ASB) CASH COLLECTIONS (30000)

Criteria: Cash collections in ASB funds should be supported by items such as revenue potential worksheets, deposit verification forms, and other supporting documentation.

Condition: In testing cash collections for student body funds at La Mesa and Parkway Middle Schools, it was noted that that the sites are not using revenue potential worksheets to make a comparison between projected cash receipts and amounts actually collected. For book fair events conducted at Parkway Middle School, four out of ten deposits tested did not have a properly completed deposit verification form, and/or documentation, such as a tally sheet to log all donations or payments received, was not maintained.

Cause: Inadequate internal controls over cash collections in ASB funds.

Effect: Lack of sound internal controls and increased susceptibility to misappropriation of assets.

Perspective: Testing of ASB funds at La Mesa and Parkway Middle Schools.

Recommendation: We recommend that the school sites implement the use of revenue potentials for all fundraising events. We also recommend that a ticket log, tally sheet, cash receipt book or other documentation be maintained to track collection of student body funds

District Response: The district is providing training to ASB and Club advisors to reinforce the importance of documenting cash receipts. Procedures for conducting fundraising events and using revenue potential forms have been provided to staff. The internal auditor is working closely with advisors and finance staff to ensure that proper internal controls are in place including the use of revenue potential forms and documentation for cash deposits. Periodic audits of ASB funds will be completed by the Internal Auditor.

Current Status: Implemented

**LA MESA-SPRING VALLEY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

FINDING #2012-2: INDEPENDENT STUDY (10000)

Criteria: Section 51747 of the Education Code requires Independent Study contracts to be supported by proper documentation as a condition for apportionment attendance.

Condition: In testing short-term independent study we found instances in which there was no work sample maintained, no certificated staff signature, no independent study contract in place, and apportionment that exceeded the number of days in the contract.

Context: Four (4) of thirty (30) independent study contracts tested.

Cause: Lack of understanding of documentation requirements related to independent study.

Effect: The District could have claimed ADA for non-compliant short term independent study contracts.

Questioned Costs: ADA was overstated by 13 days, and the District's P-2 reporting period had 130 days. The District's base revenue limit was \$6,220.05. Thus, the potential overstatement was \$622.01. However, the testing occurred prior to the District submission of P-2, and the ADA was removed before submission.

Recommendation: We recommend that school sites be reminded of this documentation requirement and that short-term independent study attendance be disallowed for all invalid contracts.

District Response: The district will provide training to school site staff on an ongoing basis to ensure proper procedures are followed for the Independent Study Program. The internal auditor will meet one-on-one with school site staff to review documentation requirements and remind staff that invalid contracts cannot be claimed for apportionment. In addition, reminders of Independent Study procedures will be disseminated through newsletters and staff meetings. The internal auditor will continue to conduct audits of independent study contracts at all sites annually to monitor for compliance in this area.

Current Status: Implemented.

LA MESA-SPRING VALLEY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2013

FINDING #2012-3: CLASS SIZE REDUCTION (CSR) PROGRAM (40000)

Criteria: Pursuant to Education Code Sections 52120-52128.5, the District received Class Size Reduction Program funding. Auditors are required to verify compliance in Section 19845.2 of the Standards and Procedures for Audits of California K-12 Local Education Agencies.

Condition: The District's submitted claim form (J-7 CSR) was incorrectly reported. One kindergarten class was reported as having an average class size between 22.45 to 22.94 pupils; however, it should have been categorized as a class size within the range of 22.95 to 24.94 pupils.

Cause: Data entry error.

Effect: The District was out of compliance with the State's requirements regarding class size reduction. The District has re-submitted the form J-7 CSR so there is no effect going forward.

Questioned Costs: The error resulted in an overstatement of apportionment of \$1,071. The District has re-submitted the form J-7 CSR to reflect the proper amount.

Recommendation: The District should review the form J-7 CSR to ensure that the numbers reported agree to the attendance system.

District Response: To ensure accuracy the J-7 CSR form totals will be reconciled to data obtained from the attendance/enrollment system prior to submission.

Current Status: Implemented.