



**CAPISTRANO UNIFIED  
SCHOOL DISTRICT**

---

ANNUAL FINANCIAL REPORT

---

**JUNE 30, 2014**

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2014

---

### ***FINANCIAL SECTION***

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Governmental Funds - Balance Sheet	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	20
Proprietary Funds - Statement of Net Position	22
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Net Position	23
Proprietary Funds - Statement of Cash Flows	24
Fiduciary Funds - Statement of Net Position	25
Notes to Financial Statements	26

### ***REQUIRED SUPPLEMENTARY INFORMATION***

General Fund - Budgetary Comparison Schedule	62
Schedule of Other Postemployment Benefits (OPEB) Funding Progress	63

### ***SUPPLEMENTARY INFORMATION***

Schedule of Expenditures of Federal Awards	65
Local Education Agency Organization Structure	67
Schedule of Average Daily Attendance	68
Schedule of Instructional Time	69
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements	70
Schedule of Financial Trends and Analysis	71
Schedule of Charter Schools	72
Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet	73
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	74
General Fund Selected Financial Information	75
Cafeteria Fund Selected Financial Information	76
Note to Supplementary Information	77

### ***INDEPENDENT AUDITOR'S REPORTS***

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	80
Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by OMB Circular A-133	82
Report on State Compliance	84

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## TABLE OF CONTENTS JUNE 30, 2014

---

### *SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

Summary of Auditor's Results	87
Financial Statement Findings	88
Federal Awards Findings and Questioned Costs	89
State Awards Findings and Questioned Costs	90
Summary Schedule of Prior Audit Findings	91
Management Letter	92

---

---

***FINANCIAL SECTION***

---

---



## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Capistrano Unified School District  
San Juan Capistrano, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Capistrano Unified School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-2014*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 14 and budgetary comparison and other postemployment benefit information on pages 62 and 63, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Capistrano Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2014, on our consideration of the Capistrano Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Capistrano Unified School District's internal control over financial reporting and compliance.

*Vawter, Jiro, Day & Co., LLP*

Rancho Cucamonga, California  
November 30, 2014



# CAPISTRANO UNIFIED SCHOOL DISTRICT

33122 VALLE ROAD, SAN JUAN CAPISTRANO CA 92675  
TELEPHONE: (949) 234-9200 [www.capousd.org](http://www.capousd.org)

## BOARD OF TRUSTEES

JOHN M. ALPAY  
PRESIDENT

LYNN HATTON  
VICE PRESIDENT

GARY PRITCHARD, PH.D.  
CLERK

ELLEN M. ADDONIZIO

ANNA BRYSON

AMY HANACEK

JIM REARDON

## SUPERINTENDENT

KIRSTEN M. VITAL

This section of Capistrano Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2014. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## OVERVIEW OF THE FINANCIAL STATEMENTS

### The Financial Statements

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

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

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

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

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

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

The Primary unit of the government is the Capistrano Unified School District.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

---

### REPORTING THE DISTRICT AS A WHOLE

#### The Statement of Net Position and the Statement of Activities

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

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

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

In the *Statement of Net Position* and the *Statement of Activities*, the District reports all of its services in the following category:

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

### REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

#### Fund Financial Statements

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

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

---

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

**Proprietary Funds** - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

### THE DISTRICT AS A TRUSTEE

#### Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, such as our funds for associated student body activities, and special tax assessments collected on behalf of the Community Facility Districts (CFDs) for the repayment of debt. The District's fiduciary activities are reported in the *Statements of Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

---

### FINANCIAL HIGHLIGHTS

#### THE DISTRICT AS A WHOLE

##### Net Position

The District's net position was \$716.7 million for the fiscal year ended June 30, 2014. Of this amount, \$8.8 million was unrestricted. Restricted net position are reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

**Table 1**

(Amounts in millions)	Governmental Activities	
	2014	2013
<b>Assets</b>		
Current and other assets	\$ 156.1	\$ 139.9
Capital assets	706.3	719.8
<b>Total Assets</b>	<b>862.4</b>	<b>859.7</b>
<b>Deferred Outflows of Resources</b>		
Deferred charge on refunding	<b>1.1</b>	-
<b>Liabilities</b>		
Current liabilities	30.5	41.7
Long-term obligations	116.3	120.4
<b>Total Liabilities</b>	<b>146.8</b>	<b>162.1</b>
<b>Net Position</b>		
Net investment in capital assets	663.1	677.1
Restricted	44.8	26.1
Unrestricted	8.8	(5.6)
<b>Total Net Position</b>	<b>\$ 716.7</b>	<b>\$ 697.6</b>

The \$8.8 million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

---

### Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 16. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

**Table 2**

(Amounts in millions)	Governmental Activities	
	2014	2013
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 14.4	\$ 9.4
Operating grants and contributions	65.5	61.5
Capital grants and contributions	-	-
General revenues:		
Federal and State aid not restricted	61.3	46.4
Property taxes	262.9	257.0
Other general revenues	42.8	25.7
<b>Total Revenues</b>	<b>446.9</b>	<b>400.0</b>
<b>Expenses</b>		
Instruction-related	313.4	310.7
Student support services	39.6	38.8
Administration	14.8	14.5
Maintenance and operations	37.2	32.5
Other	22.8	14.5
<b>Total Expenses</b>	<b>427.8</b>	<b>411.0</b>
<b>Change in Net Position</b>	<b>\$ 19.1</b>	<b>\$ (11.0)</b>

### Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was \$427.8 million. The amount that our local taxpayers ultimately financed for these activities through local property taxes was \$262.9 million. The District also collected \$14.4 million in charges for services from those that benefited from the programs. Other government agencies and organizations subsidized certain programs with grants and contributions (\$65.5 million). We paid for the remaining "public benefit" portion of our governmental activities with \$104.0 million in unrestricted State and Federal funds, and with other revenues, such as gifts, interest, and general entitlements.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2014**

In Table 3, we have presented the total cost and net cost of each of the District's largest functions: instruction-related, student support services, administration, maintenance and operations, unallocated depreciation, and all other functions. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

**Table 3**

(Amounts in millions)	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction-related	\$ 313.4	\$ 310.7	\$ 261.6	\$ 268.5
Student support services	39.6	38.8	23.9	20.1
Administration	14.8	14.5	12.2	12.1
Maintenance and operations	37.2	32.5	37.2	32.5
Other	22.8	14.5	13.0	7.0
<b>Total</b>	<b>\$ 427.8</b>	<b>\$ 411.0</b>	<b>\$ 347.9</b>	<b>\$ 340.2</b>

## THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$111.9 million, which is an increase of \$25.8 million from last year (Table 4).

**Table 4**

(Amounts in millions)	Balances and Activity			
	July 1, 2013	Revenues	Expenditures	June 30, 2014
General Fund	\$ 24.3	\$ 396.2	\$ 383.6	\$ 36.9
Capital Facilities Fund	6.2	9.6	1.4	14.4
Capital Project Fund for Blended Component Units	28.5	17.9	12.1	34.3
Child Development Fund	0.4	4.6	5.0	-
Cafeteria Fund	4.0	10.5	10.1	4.4
Building Fund	4.9	-	0.5	4.4
County School Facilities Fund	2.2	-	-	2.2
Special Reserve Fund for Capital Outlay Projects	10.5	2.3	1.9	10.9
Bond Interest and Redemption Fund	5.1	4.7	5.4	4.4
Debt Service Fund	-	1.8	1.8	-
<b>Total</b>	<b>\$ 86.1</b>	<b>\$ 447.6</b>	<b>\$ 421.8</b>	<b>\$ 111.9</b>

The primary reasons for the increase in the combined fund balances are due to changes within the General Fund.

- Our General Fund is our principal operating fund. The balance in the General Fund increased from \$24.3 million to \$36.9 million as a result of unspent Common Core, Mental Health, and Prop 39 money plus one time savings.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2014**

---

### General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the 2013-2014 budget was adopted in September 2014. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 62.)

The District adopted its budget for the 2013-2014 school year in June 2013. The District's final budget incorporated:

1. Carrying-forward estimated actual amounts from the prior year's budget, and utilizing assumptions provided by the Orange County Department of Education.
2. District-generated enrollment projections.
3. District-specific assumptions with respect to revenues and expenditures.
4. Conservative State revenue projections.
5. AB 1200, which mandates that the District prove solvency in the current fiscal year and two years out.

The District officially revised its budget on five occasions:

1. September 2013, which incorporated the application of carryover from the fiscal year end 2012-2013.
2. December 2013, which incorporated the changes in average daily attendance (ADA) funding and additional programmatic funding, based on the First Interim Report.
3. March 2014, which incorporated further changes and refinements to ADA and programmatic funding based on the Second Interim Report.
4. June 2014, which incorporated additional changes and refinements to ADA and programmatic funding, based on the 2013-2014 Estimated Actuals, and the adoption of the 2014-2015 budget.
5. September 2014, which incorporated the fiscal year-end changes to ADA and programmatic funding, as well as activity reflected in the unaudited financials.

Annual changes in employee salaries, based on the movement within step, column, and longevity were factored into the budget adoption for the 2013-2014 fiscal year along with any negotiated reductions.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

---

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2014, the District had \$706.3 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of approximately \$13.5 million, or 1.9 percent, from last year (Table 5).

**Table 5**

(Amounts in millions)

	Governmental Activities	
	2014	2013
Land and construction in progress	\$ 284.5	\$ 294.9
Buildings and improvements	416.4	418.7
Equipment	5.4	6.2
<b>Total</b>	<b>\$ 706.3</b>	<b>\$ 719.8</b>

This year's major additions included the following:

- Completion of Performing Arts Center at Capistrano Valley High School.

The decrease between 2013 and 2014 in capital assets (\$13.5 million) is attributed to current year additions to accumulated depreciation although asset additions to construction in progress offset some of the accumulated depreciation.

A new K-8 school is in the planning stages in 2014-2015 along with planning for other potential capital initiatives. The District plans to acquire additional capitalized supplies, equipment, and furnishings during the 2014-2015 year. We present more detailed information about our capital assets in Note 4 to the financial statements.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2014**

---

### Long-Term Obligations

At the end of this year, the District had \$116.3 million in long-term obligations versus \$120.4 million last year, a decrease of 3.4 percent. Those obligations consisted of:

**Table 6**

(Amounts in millions)

	Governmental Activities	
	2014	2013
General obligation bonds - net (financed with property taxes)	\$ 50.2	\$ 53.7
Certificates of participation	18.5	19.9
Compensated absences	3.2	2.9
Capitalized lease obligations	1.5	2.3
Developer fee agreement	-	0.2
Other postemployment benefits (OPEB)	26.9	23.2
Supplemental early retirement plan (SERP)	7.2	9.6
Claims liability	8.8	8.6
<b>Total</b>	<b>\$ 116.3</b>	<b>\$ 120.4</b>

The State limits the amount of general obligation debt that districts can issue to five percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$50.2 million is significantly below this \$3.3 billion statutorily-imposed limit.

Other obligations include certificates of participation, compensated absences, capitalized lease obligations, other postemployment benefits and claims liability. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the June 26, 2013 Board meeting, the Board of Trustees adopted the Budget for the 2013-2014 school year which reflected the proposed State budget although conservatively estimating revenue based on Revenue Limit funding. In considering the District budget for the 2013-2014 year, the Board of Trustees and management used the following criteria and assumptions:

#### **2013-2014 Budget Adoption**

Cost of Living Adjustment (COLA)	1.57%
Revenue Limit Average Daily Attendance (prior year)	49,018
ADA Growth / (Decrease)	(230)
Base Revenue Limit	\$6,810.18
Revenue Limit Deficit	22.272%
Funded Revenue Limit	\$5,293.03
Lottery Funding per ADA (combined)	\$154.00

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2014**

---

The State mandates a minimum two percent reserve for a district the size of Capistrano Unified School District. In June 2014, which was the latest budget revision for the 2013-2014 fiscal year, the reserve for economic uncertainty was 2.25 percent, or \$8.4 million. The remaining ending fund balance is reserved for local, State, and Federal restricted purposes, in addition to other operational needs. Additionally, the assumptions used to calculate the fund balance above were revised as necessary for the Estimated Actuals financial report as noted below:

### 2013-2014 Estimated Actuals

Cost of Living Adjustment (COLA)	1.57%
LCFF ADA (prior year/excludes County ADA of 620)	48,462
ADA Growth / (Decrease)	(110)
Percent of Gap Funded	11.78%
Unduplicated Pupil Percentage	23.87%
Lottery Funding per ADA (combined)	\$154.00

The impact of the new Local Control Funding Formula (LCFF) starts the road to recovery after years of funding reductions for districts. Districts will no longer be comparable when it comes to State funding as the level of funding received will vary based upon the demographics of the student body. With the preparation of the District's Estimated Actuals Financial Report, the District has maintained a balanced budget for 2013-2014. The District projects that it can begin restoring student days and lowering class sizes in 2014-2015 based on current assumptions.

The 2014-2015 State Budget is scheduled to be released in January 2015, and the District is projecting conservatively using School Services of California's estimated GAP funding rate of 7.8 percent and a COLA of 2.2 percent which will be revised to reflect the Department of Finance assumptions in the January proposal.

### **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 those listed below at Capistrano Unified School District, 33122 Valle Road, San Juan Capistrano, California, 92675:

Clark Hampton, Deputy Superintendent, Business and Support Services, 949-234-9211, [cdhampton@capousd.org](mailto:cdhampton@capousd.org) and Philippa Geiger, Executive Director, Fiscal Services, 949-234-9316, [pkgeiger@capousd.org](mailto:pkgeiger@capousd.org).

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**STATEMENT OF NET POSITION  
JUNE 30, 2014**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 118,765,917
Receivables	36,916,057
Prepaid expenses	192,784
Stores inventories	223,990
Capital assets	
Land and construction in progress	284,469,552
Other capital assets	717,667,123
Less: accumulated depreciation	<u>(295,843,790)</u>
Total Capital Assets	<u>706,292,885</u>
<b>Total Assets</b>	<b><u>862,391,633</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding	<u>1,075,327</u>
<b>LIABILITIES</b>	
Accounts payable	29,524,380
Accrued interest payable	383,937
Unearned revenue	621,770
Long-term obligations	
Current portion of long-term obligations	10,373,792
Noncurrent portion of long-term obligations	<u>105,900,107</u>
Total Long-Term Obligations	<u>116,273,899</u>
<b>Total Liabilities</b>	<b><u>146,803,986</u></b>
<b>NET POSITION</b>	
Net investment in capital assets	663,056,057
Restricted for:	
Debt service	4,031,482
Capital projects	16,570,781
Educational programs	14,569,301
Other activities	9,585,745
Unrestricted	<u>8,849,608</u>
<b>Total Net Position</b>	<b><u>\$ 716,662,974</u></b>

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

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Instruction	\$ 274,130,549	\$ 1,740,806	\$ 42,769,991	\$ 5,517	\$ (229,614,235)
Instruction-related activities:					
Supervision of instruction	10,450,499	359,523	5,523,493	-	(4,567,483)
Instructional library, media, and technology	1,798,201	3,568	25,250	-	(1,769,383)
School site administration	26,980,577	295,042	999,679	-	(25,685,856)
Pupil services:					
Home-to-school transportation	9,088,844	-	12,060	-	(9,076,784)
Food services	9,628,453	4,498,989	4,942,130	-	(187,334)
All other pupil services	20,889,455	321,044	5,939,968	-	(14,628,443)
Administration:					
Data processing	4,568,790	-	-	-	(4,568,790)
All other administration	10,200,738	214,078	2,370,764	-	(7,615,896)
Plant services	37,234,748	-	720	-	(37,234,028)
Facility acquisition and construction	2,696,317	-	-	-	(2,696,317)
Ancillary services	2,369,299	-	-	-	(2,369,299)
Community services	33,508	-	10,007	-	(23,501)
Enterprise services	170,424	-	-	-	(170,424)
Interest on long-term obligations	2,315,815	-	-	-	(2,315,815)
Other outgo	15,236,928	6,953,394	2,883,131	-	(5,400,403)
<b>Total Governmental Activities</b>	<b>\$ 427,793,145</b>	<b>\$ 14,386,444</b>	<b>\$ 65,477,193</b>	<b>\$ 5,517</b>	<b>(347,923,991)</b>
General revenues and subventions:					
					256,711,186
					4,654,876
					1,534,351
					61,251,613
					202,292
					42,669,560
					<u>367,023,878</u>
					<b>Change in Net Position</b>
					19,099,887
					697,563,087
					<u>\$ 716,662,974</u>

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

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS**

**BALANCE SHEET**

**JUNE 30, 2014**

	<b>General Fund</b>	<b>Capital Facilities Fund</b>	<b>Capital Project Fund for Blended Component Units</b>
<b>ASSETS</b>			
Deposits and investments	\$ 29,102,085	\$ 14,897,739	\$ 35,153,616
Receivables	34,870,024	4,620	39,318
Due from other funds	544,638	-	-
Prepaid expenditures	192,784	-	-
Stores inventories	94,214	-	-
<b>Total Assets</b>	<b>\$ 64,803,745</b>	<b>\$ 14,902,359</b>	<b>\$ 35,192,934</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 27,046,170	\$ 483,503	\$ 420,214
Due to other funds	848,188	1,605	430,523
Unearned revenue	63,501	-	-
<b>Total Liabilities</b>	<b>27,957,859</b>	<b>485,108</b>	<b>850,737</b>
<b>Fund Balances:</b>			
Nonspendable	461,998	-	-
Restricted	14,569,301	14,417,251	34,342,197
Assigned	6,458,594	-	-
Unassigned	15,355,993	-	-
<b>Total Fund Balances</b>	<b>36,845,886</b>	<b>14,417,251</b>	<b>34,342,197</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 64,803,745</b>	<b>\$ 14,902,359</b>	<b>\$ 35,192,934</b>

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

---

<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 26,534,104	\$ 105,687,544
1,342,663	36,256,625
445,882	990,520
-	192,784
129,776	223,990
<u>\$ 28,452,425</u>	<u>\$ 143,351,463</u>

\$ 1,337,130	\$ 29,287,017
230,200	1,510,516
558,269	621,770
<u>2,125,599</u>	<u>31,419,303</u>

142,526	604,524
15,292,069	78,620,818
10,892,231	17,350,825
-	15,355,993
<u>26,326,826</u>	<u>111,932,160</u>

<u>\$ 28,452,425</u>	<u>\$ 143,351,463</u>
----------------------	-----------------------

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014**

---

<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 111,932,160</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is:	\$ 1,002,136,675	
Accumulated depreciation is:	<u>(295,843,790)</u>	
Net Capital Assets		706,292,885
Expenditures relating to issuance of debt of next fiscal year were recognized on modified accrual basis, but are not recognized on the accrual basis.		1,075,327
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(383,937)
An Internal Service Fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities.		5,253,866
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	35,109,930	
Premium on bonds	3,324,077	
Certificates of participation	18,245,000	
Premium on certificates	249,644	
Capital leases payable	1,539,041	
Other postemployment benefits (OPEB)	26,904,161	
Compensated absences (vacations)	3,179,141	
Supplemental Early Retirement Incentive	7,205,046	
In addition, the District has issued "capital appreciation" general obligation bonds. The accretion of interest on unmatured general obligation bonds to date is the following:		
	<u>11,751,287</u>	
Total Long-Term Obligations		<u>(107,507,327)</u>
<b>Total Net Position - Governmental Activities</b>		<b><u><u>\$ 716,662,974</u></u></b>

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

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Capital Facilities Fund	Capital Project Fund for Blended Component Units
<b>REVENUES</b>			
Local control funding formula	\$ 308,800,663	\$ -	\$ -
Federal sources	17,002,692	-	-
Other State sources	62,847,211	-	-
Other local sources	7,523,848	9,594,972	8,932,734
<b>Total Revenues</b>	<b>396,174,414</b>	<b>9,594,972</b>	<b>8,932,734</b>
<b>EXPENDITURES</b>			
Current			
Instruction	252,854,428	-	-
Instruction-related activities:			
Supervision of instruction	9,770,200	-	-
technology	1,791,407	-	-
School site administration	26,204,676	-	-
Pupil services:			
Home-to-school transportation	8,551,607	-	-
Food services	-	-	-
All other pupil services	20,387,903	-	-
Administration:			
Data processing	4,332,083	-	-
All other administration	9,722,643	-	-
Plant services	35,084,895	-	1,470,949
Facility acquisition and construction	-	1,154,170	7,271,833
Ancillary services	2,342,249	-	-
Community services	33,508	-	-
Other outgo	11,646,527	-	3,404,045
Enterprise services	147,956	-	-
Debt service			
Principal	756,483	195,900	-
Interest and other	40,487	-	-
<b>Total Expenditures</b>	<b>383,667,052</b>	<b>1,350,070</b>	<b>12,146,827</b>
<b>Excess (Deficiency) of Revenues</b>			
<b>Over Expenditures</b>	<b>12,507,362</b>	<b>8,244,902</b>	<b>(3,214,093)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Other sources	-	-	9,022,786
Transfers out	-	-	-
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>9,022,786</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>12,507,362</b>	<b>8,244,902</b>	<b>5,808,693</b>
<b>Fund Balances - Beginning</b>	<b>24,338,524</b>	<b>6,172,349</b>	<b>28,533,504</b>
<b>Fund Balances - Ending</b>	<b>\$ 36,845,886</b>	<b>\$ 14,417,251</b>	<b>\$ 34,342,197</b>

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

<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 308,800,663
5,625,633	22,628,325
2,141,983	64,989,194
14,324,184	40,375,738
<u>22,091,800</u>	<u>436,793,920</u>
3,450,839	256,305,267
558,700	10,328,900
-	1,791,407
487,812	26,692,488
-	8,551,607
9,721,749	9,721,749
370,676	20,758,579
-	4,332,083
443,765	10,166,408
13,116	36,568,960
558,616	8,984,619
-	2,342,249
-	33,508
-	15,050,572
-	147,956
5,860,000	6,812,383
1,321,748	1,362,235
<u>22,787,021</u>	<u>419,950,970</u>
<u>(695,221)</u>	<u>16,842,950</u>
1,801,341	1,801,341
-	9,022,786
<u>(1,801,341)</u>	<u>(1,801,341)</u>
<u>-</u>	<u>9,022,786</u>
(695,221)	25,865,736
27,022,047	86,066,424
<u>\$ 26,326,826</u>	<u>\$ 111,932,160</u>

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014**

---

**Total Net Change in Fund Balances - Governmental Funds** **\$ 25,865,736**  
**Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:**

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

Depreciation expense	\$ (20,070,455)	
Capital outlays	<u>6,556,779</u>	
Net Expense Adjustment		(13,513,676)

Contributions for other postemployment benefits (OPEB) are recorded as an expense in the governmental funds when paid. However, the difference between the annual OPEB cost and the actual contribution made, if less, is recorded in the government-wide statements as an expense. The actual amount of the contribution was less than the annual OPEB cost. (3,746,628)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (supplemental early retirement plan) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits paid were more than the amounts added by \$2,401,682. Vacation used was less than the amounts earned by \$289,202. 2,112,480

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

General obligation bonds	4,470,000
Certificates of participation	1,390,000
Capital lease obligations	756,483
Developer fee agreement	195,900

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

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued FOR THE YEAR ENDED JUNE 30, 2014**

---

Governmental funds report the effect of premiums, discounts, issuance costs, and deferred costs on a refunding when the debt is first issued, whereas, the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of the amortization of the related items:

Amortization of premium on general obligation bonds	\$ 265,926	
Amortization of premium on certificates of participation	21,705	
Amortization of deferred charge on refunding	<u>(89,586)</u>	
Combined adjustment		\$ 198,045

Interest on long-term obligations is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is a result of two factors. First, accrued interest on general obligation bonds and certificates of participation decreased by \$61,551. Second, \$1,213,176 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

(1,151,625)

An Internal Service Fund is used by the District's management to charge the costs of the workers' compensation and property and liability insurance programs and the health and welfare benefit program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.

2,523,172

**Change in Net Position of Governmental Activities**

\$ 19,099,887

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

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

---

	<b>Governmental Activities - Internal Service Fund</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Deposits and investments	\$ 13,078,373
Receivables	659,432
Due from other funds	520,116
<b>Total Current Assets</b>	<u>14,257,921</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	237,363
Due to other funds	120
Current portion of claims liability	2,059,674
<b>Total Current Liabilities</b>	<u>2,297,157</u>
<b>Noncurrent Liabilities</b>	
Noncurrent portion of claims liability	6,706,898
<b>Total Liabilities</b>	<u>9,004,055</u>
<b>NET POSITION</b>	
Restricted	5,253,866
<b>Total Net Position</b>	<u>\$ 5,253,866</u>

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

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2014**

---

	<b>Governmental Activities - Internal Service Fund</b>
<b>OPERATING REVENUES</b>	
Charges to other funds	\$ 56,866,315
All other fees and contracts	850,074
<b>Total Operating Revenues</b>	<u>57,716,389</u>
<b>OPERATING EXPENSES</b>	
Payroll costs	336,101
Professional and contract services	54,886,276
Supplies and materials	10,736
<b>Total Operating Expenses</b>	<u>55,233,113</u>
<b>Operating Income</b>	<u>2,483,276</u>
<b>NONOPERATING REVENUES</b>	
Interest income	39,896
<b>Change in Net Position</b>	<u>2,523,172</u>
<b>Total Net Position - Beginning</b>	<u>2,730,694</u>
<b>Total Net Position - Ending</b>	<u><u>\$ 5,253,866</u></u>

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

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Governmental Activities - Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from interfund services provided	\$ 56,976,648
Other operating cash receipts	251,560
Cash payments to employees for services	(336,101)
Cash payments for interfund services used	(53,022,795)
Other operating cash payments	(1,849,995)
Net Cash Provided by Operating Activities	<u>2,019,317</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	39,896
Net Increase in Cash and Cash Equivalents	<u>2,059,213</u>
Cash and Cash Equivalents - Beginning	11,019,160
Cash and Cash Equivalents - Ending	<u>\$ 13,078,373</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 2,483,276
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Accounts receivable	(598,514)
Due from other funds	110,333
Accounts payable	(110,977)
Due to other funds	(102)
Claims liability	135,301
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 2,019,317</u>

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

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

---

	<u>Agency Funds</u>
<b>ASSETS</b>	
Deposits and investments	\$ 48,514,598
Receivables	919,354
<b>Total Assets</b>	<u><u>\$ 49,433,952</u></u>
 <b>LIABILITIES</b>	
Accounts payable	\$ 147,769
Due to student groups	4,061,588
Due to bondholders	45,224,595
<b>Total Liabilities</b>	<u><u>\$ 49,433,952</u></u>

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

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

---

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The Capistrano Unified School District (the District) was unified in 1965 under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades kindergarten through twelve as mandated by the State and/or Federal agencies. The District operates thirty-six elementary schools, ten middle schools, two kindergarten through eighth grade schools, six high schools, one continuation high school, one adult education school, and an independent study program.

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

#### 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 may be 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. For financial reporting purposes, the component units described below have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus are included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District.

The Capistrano Unified School District School Facilities Corporation's (the Corporation) financial activity is presented in the financial statements as the Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term obligations in the government-wide financial statements. The Community Facilities Districts of the Capistrano Unified School District's (the CFDs) financial activity is presented in the financial statements as the Capital Project Fund for Blended Component Units and as an Agency Fund. Long-term obligations of the CFDs do not represent obligations of the District and thus are not included in the government-wide financial statements. Individually-prepared financial statements are available for the Corporation and CFDs through the Capistrano Unified School District Business Office.

#### Other Related Entities

**Charter School** The District has approved a charter for Journey Charter School, Opportunities for Learning Charter School, Community Roots Academy, Oxford Preparatory Academy – South Orange, and Capistrano Connections Academy pursuant to *Education Code* Section 47605. The Charter Schools are direct-funded and are not considered component units of the District.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

---

### **Basis of Presentation - Fund Accounting**

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

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

### **Major Governmental Funds**

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

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 20, Special Reserve Fund for Postemployment Benefits, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

In addition, under the flexibility provisions of current statute that allow certain formerly restricted revenues to be used for any educational purpose, Fund 11, Adult Education Fund and Fund 14, Deferred Maintenance Fund do not currently meet the definition of special revenue funds as these funds are no longer primarily composed of restricted or committed revenue sources.

As the District has not taken formal action to commit the flexed revenues formerly restricted to these programs to the continued operation of the original programs, the revenues within these funds would be considered to be available for general education purposes, resulting in Fund 11, Adult Education Fund and Fund 14, Deferred Maintenance Fund being combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of \$3,468,271.

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

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

---

**Capital Project Fund for Blended Component Units** The Capital Project Fund for Blended Component Units is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

### Non-Major Governmental Funds

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

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

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

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

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

**County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

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

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

---

**Debt Service Funds** The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term debt.

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

**Debt Service Fund** This fund is used for the accumulation of resources for and the retirement of principal and interest on certificates of participation.

**Proprietary Funds** Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary funds:

**Internal Service Fund** Internal service funds may be used to account for goods or services provided to other funds of the District on a cost reimbursement basis. The District operates workers' compensation and property and liability insurance programs that are accounted for in the Internal Service Fund. In addition, the District's health and welfare benefit programs are accounted for in the Internal Service Fund.

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

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB) and receipt of special taxes for payment of non-obligatory debt required for the CFDs.

### **Basis of Accounting - Measurement Focus**

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

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

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

---

Net position should be reported as restricted when constraints placed on net position 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 result from special revenue funds and the restrictions on their use.

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

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

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

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

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

---

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

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

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

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

### **Cash and Cash Equivalents**

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

### **Investments**

Investments held at June 30, 2014, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

### **Prepaid Expenditures (Expenses)**

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

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

---

### Stores Inventories

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

### Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$15,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

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

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 5 to 20 years.

### Interfund Balances

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

### Compensated Absences

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

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

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

---

### Accrued Liabilities and Long-Term Obligations

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

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

### Debt Issuance Costs, Premiums and Discounts

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

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

### Fund Balances - Governmental Funds

As of June 30, 2014, fund balances of the governmental funds are classified as follows:

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

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

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

**Unassigned** - all other spendable amounts.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

---

### Spending Order Policy

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

### Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$44,757,309 of restricted net position, which is restricted by enabling legislation.

### Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges to other funds for administration of the workers' compensation, property and liability, and health and welfare programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### Interfund Activity

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

### 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.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

---

### **Budgetary Data**

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

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

### **Property Tax**

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

### **Change in Accounting Principles**

In March 2012, the 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.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The District has implemented the provisions of this Statement for the year ended June 30, 2014.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

---

### New Accounting Pronouncements

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

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

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

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

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

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

---

- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

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

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

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

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

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

---

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

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 118,765,917
Fiduciary funds	48,514,598
Total Deposits and Investments	<u><u>\$ 167,280,515</u></u>

Deposits and investments as of June 30, 2014, consist of the following:

Cash on hand and in banks	\$ 12,270,128
Cash in revolving	867,750
Investments	154,142,637
Total Deposits and Investments	<u><u>\$ 167,280,515</u></u>

#### Policies and Practices

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

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

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

---

**Investment in the State Investment Pool** - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by *California Government Code* Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the pool is reported in the accompanying financial statement at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

### General Authorizations

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

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

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**Authorized Under Debt Agreements**

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	N/A	None	None
Federal Housing Administration Debentures	N/A	None	None
Federal Home Loan Mortgage Corporation	N/A	None	None
Participation Certificates - Senior Debt Obligations	N/A	None	None
Farm Credit Banks Bonds and Notes	N/A	None	None
Federal Home Loan Banks Consolidated Debt Obligations	N/A	None	None
Federal National Mortgage Association Senior Debt Obligations	N/A	None	None
Student Loan Marketing Association Senior Debt Obligations	N/A	None	None
Financing Corporation Debt Obligations	N/A	None	None
Resolution Funding Corporation Debt Obligations	N/A	None	None
Certificates of Deposit, Time Deposits, Bankers' Acceptances	30 days	None	None
Commercial Paper	270 days	None	None
Deposit Accounts	N/A	None	None
Money Market Funds	N/A	None	None
Registered State Bonds, Notes, Warrants	N/A	None	None
Local Agency Bonds, Notes, Warrants	N/A	None	None
Repurchase Agreements	N/A	None	None
Investment Agreements	N/A	None	None

**Interest Rate Risk and Credit Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Orange County Investment Pool and LAIF. For all other investments, the District manages its exposure by purchasing a combination of shorter term and longer term investments and by limiting the total amount invested in any one issuer.

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. Presented below is the actual rating as of the year-end for each investment type.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation and the actual rating as of year-end for each investment is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Cost Basis	Fair Value	Maturity Date/	Standard and Poor's Rating
			Average Maturity in Days	
Orange County Investment Pool	\$ 79,115,561	\$ 79,036,522	519	AAA
Local Agency Investment Fund (LAIF)	530,130	530,288	232	*
First American Government Obligations Fund Class Y	68,350,932	68,350,932	40	AAAm
Bayerische Landesbank Girozentrale - Investment Agreement <sup>1</sup>	637,750	637,750	9/1/2014	*
FSA Capital Management Service GIC Investment <sup>1</sup>	3,576,000	3,576,000	8/20/2020	*
FSA Capital Management Service GIC Investment <sup>1</sup>	1,932,264	1,932,264	8/25/2032	*
<b>Total</b>	<b>\$ 154,142,637</b>	<b>\$ 154,063,756</b>		

\* Not rated, nor required to be rated

<sup>1</sup> Investment balance relates to amounts that will be used to repay non-obligatory debt of CFDs, as discussed in Note 11.

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2014, the District had a bank balance of \$12,730,700 that was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

### Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District has an investment agreement with FSA Capital Management Services that is reported in the Debt Service Fund. In addition, the financial statements reflect various investment agreements held in fiduciary funds related to the CFDs. A stipulation for each investment agreement requires the collateralization of each investment agreement. As a result, respective collateral agents for the investment agreements hold securities representing 102 percent of the outstanding principal amount of the investment agreement on behalf of the trustee, U.S. Bank. As such, investment agreements with a cost of \$6,146,014, are subject to custodial credit risk exposure because the related securities are uninsured, unregistered and held by counterparty's trust department or agent but not in the name of the District.

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2014, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Capital Facilities Fund	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Fiduciary Funds
Federal Government							
Categorical aid	\$ 5,213,041	\$ -	\$ -	\$ 1,008,750	\$ -	\$ 6,221,791	\$ -
State Government							
LCFF							
apportionment	14,972,715	-	-	-	-	14,972,715	-
Categorical aid	1,553,001	-	-	60,160	-	1,613,161	-
Lottery	3,933,780	-	-	-	-	3,933,780	-
Special education	6,553,323	-	-	-	-	6,553,323	-
Local Government							
Interest	21,629	4,300	-	5,432	4,070	35,431	122,724
Property taxes	-	-	-	-	-	-	796,630
Other Local Sources	2,622,535	320	39,318	268,321	655,362	3,585,856	-
Total	<u>\$ 34,870,024</u>	<u>\$ 4,620</u>	<u>\$ 39,318</u>	<u>\$ 1,342,663</u>	<u>\$ 659,432</u>	<u>\$ 36,916,057</u>	<u>\$ 919,354</u>

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 4 - CAPITAL ASSETS**

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

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 278,778,330	\$ 4,018,638	\$ -	\$ 282,796,968
Construction in progress	16,102,224	2,054,901	16,484,541	1,672,584
Total Capital Assets Not Being Depreciated	<u>294,880,554</u>	<u>6,073,539</u>	<u>16,484,541</u>	<u>284,469,552</u>
Capital Assets Being Depreciated:				
Land improvements	41,265,201	-	-	41,265,201
Buildings and improvements	634,518,606	16,484,541	-	651,003,147
Furniture and equipment	24,915,535	483,240	-	25,398,775
Total Capital Assets Being Depreciated	<u>700,699,342</u>	<u>16,967,781</u>	<u>-</u>	<u>717,667,123</u>
Total Capital Assets	<u>995,579,896</u>	<u>23,041,320</u>	<u>16,484,541</u>	<u>1,002,136,675</u>
Less Accumulated Depreciation:				
Land improvements	12,912,991	2,063,260	-	14,976,251
Buildings and improvements	244,117,092	16,789,661	-	260,906,753
Furniture and equipment	18,743,252	1,217,534	-	19,960,786
Total Accumulated Depreciation	<u>275,773,335</u>	<u>20,070,455</u>	<u>-</u>	<u>295,843,790</u>
Governmental Activities Capital Assets, Net	<u>\$ 719,806,561</u>	<u>\$ 2,970,865</u>	<u>\$ 16,484,541</u>	<u>\$ 706,292,885</u>

Depreciation expense was charged to governmental activities as follows:

<b>Governmental Activities</b>	
Instruction	\$ 18,765,875
Home-to-school transportation	501,761
Data processing	200,705
Plant services	602,114
Total Depreciation Expenses Governmental Activities	<u>\$ 20,070,455</u>

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**NOTE 5 - INTERFUND TRANSACTIONS**

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

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2014, between major and non-major governmental funds and internal service funds:

Due To	Due From					Total
	General Fund	Capital Facilities Fund	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Internal Service Fund	
General Fund	\$ -	\$ 95	\$ 430,523	\$ 113,900	\$ 120	\$ 544,638
Non-Major Governmental Funds	442,731	-	-	3,151	-	445,882
Internal Service Fund	405,457	1,510	-	113,149	-	520,116
Total	<u>\$ 848,188</u>	<u>\$ 1,605</u>	<u>\$ 430,523</u>	<u>\$ 230,200</u>	<u>\$ 120</u>	<u>\$ 1,510,636</u>

The General Fund owes \$442,731 to the Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund for June distribution of redevelopment monies.

The General Fund owes \$405,457 to the Internal Service Fund for workers' compensation and health and welfare benefit expenditures.

The Capital Project Fund for Blended Component Units owes \$430,523 to the General Fund for administrative costs.

The Child Development Non-Major Governmental Fund owes \$68,473 to the General Fund for payroll related and indirect costs.

The Cafeteria Non-Major Governmental Fund owes \$45,427 to the General Fund for payroll, retiree benefits, and indirect costs.

The Child Development Non-Major Governmental Fund owes \$41,015 to the Internal Service Fund for workers' compensation and health and welfare benefit expenditures.

The Cafeteria Non-Major Governmental Fund owes \$72,134 to the Internal Service Fund for workers' compensation and health and welfare benefit expenditures.

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

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Operating Transfers**

Interfund transfers for the year ended June 30, 2014, consisted of the following:

<u>Transfer To</u>	<u>Transfer From Non-Major Governmental Funds</u>
Non-Major Governmental Funds	<u>\$ 1,801,341</u>
The Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund transferred to the Debt Service Non-Major Governmental Fund for debt service payments.	<u>\$ 1,801,341</u>

**NOTE 6 - ACCOUNTS PAYABLE**

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

	General Fund	Capital Facilities Fund	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Internal Service Fund
Salaries and benefits	\$ 14,095,428	\$ 12,152	\$ -	\$ 986,795	\$ 89,863
LCFF apportionment	511,065	-	-	-	-
Supplies	5,868,514	-	-	226,630	1,833
Services	4,777,970	24,499	-	123,059	145,667
Capital outlay	15,965	446,852	320,648	168	-
Other payables	1,777,228	-	99,566	478	-
Total	<u>\$ 27,046,170</u>	<u>\$ 483,503</u>	<u>\$ 420,214</u>	<u>\$ 1,337,130</u>	<u>\$ 237,363</u>

	Total Governmental Activities	Fiduciary Funds
Salaries and benefits	\$ 15,184,238	\$ -
LCFF apportionment	511,065	-
Supplies	6,096,977	-
Services	5,071,195	58,484
Capital outlay	783,633	-
Other payables	1,877,272	89,285
Total	<u>\$ 29,524,380</u>	<u>\$ 147,769</u>

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**NOTE 7 - UNEARNED REVENUE**

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

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 10,577	\$ -	\$ 10,577
State categorical aid	40,033	-	40,033
Other local	12,891	558,269	571,160
Total	<u>\$ 63,501</u>	<u>\$ 558,269</u>	<u>\$ 621,770</u>

**NOTE 8 - LOAN FROM COUNTY TREASURER**

The District requested a temporary transfer of \$55,000,000 from the Educational Money Market Funds in custody of the Orange County Treasurer which are certified to be necessary to provide funds for meeting the obligations incurred for maintenance purposes for the District for the 2013-2014 fiscal year pursuant to the resolution of the governing board of the District adopted on May 22, 2013, pursuant to California Constitution Article XVI, Section 6. Funds will be used for operational expenses and current payroll. Repayment terms require full amount to be paid with interest by October 31, 2014. Interest on the loan will accrue and be payable by the District at a rate equal to the gross rate the Orange County Educational Investment Pool is earning for the same period from the date of the temporary transfer plus five basis point until the entire loan and applicable interest is repaid. At June 30, 2014, the loan was paid in full.

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 9 - LONG-TERM OBLIGATIONS**

**Summary**

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

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due in One Year
General obligation bonds	\$ 50,118,041	\$ 1,213,176	\$ 4,470,000	\$ 46,861,217	\$ 3,735,000
Premium on bonds	3,590,003	-	265,926	3,324,077	-
2012 Refunding Certificates of Participation	19,635,000	-	1,390,000	18,245,000	1,440,000
Premium on COP	271,349	-	21,705	249,644	-
Compensated absences	2,889,939	289,202	-	3,179,141	-
Capital leases payable	2,295,524	-	756,483	1,539,041	737,436
Developer fee agreement	195,900	-	195,900	-	-
Other postemployment benefits (OPEB)	23,157,533	6,506,041	2,759,413	26,904,161	-
Supplemental early retirement plan (SERP)	9,606,728	-	2,401,682	7,205,046	2,401,682
Claims liability	8,631,271	2,194,975	2,059,674	8,766,572	2,059,674
	<u>\$ 120,391,288</u>	<u>\$ 10,203,394</u>	<u>\$ 14,320,783</u>	<u>\$ 116,273,899</u>	<u>\$ 10,373,792</u>

Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund with local property tax revenues. Payments on the Certificates of Participation are made by the Debt Service Fund. Capital leases are paid by the General Fund, Child Development Fund, and Capital Facilities Fund. Payments on the Developer Fee Agreement are made by the Capital Facilities Fund. The compensated absences and OPEB will be paid by the fund for which the employee worked. The supplemental early retirement plan will be paid by the General Fund. The claims liability will be paid by the Internal Service Fund.

**Bonded Debt**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2012	Accreted	Redeemed	Outstanding June 30, 2014
2/2001	8/2025	4.00-5.10%	\$ 29,999,930	\$ 22,663,041	\$ 1,213,176	\$ -	\$ 23,876,217
12/2012	8/2026	3.00-4.00%	27,455,000	27,455,000	-	4,470,000	22,985,000
				<u>\$ 50,118,041</u>	<u>\$ 1,213,176</u>	<u>\$ 4,470,000</u>	<u>\$ 46,861,217</u>

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

---

### **1999 General Obligation Bonds, Series B**

In February 2001, the Capistrano Unified School District issued both current and capital appreciation, 1999 General Obligation Bonds, Series B in the amount of \$29,999,930, with the value of the capital appreciation bonds accreting \$22,550,070, and an aggregate debt service balance of \$52,550,000. The bonds have a final maturity occurring on August 1, 2025, with interest rates ranging from 4.00 to 5.10 percent. The bonds were issued for the acquisition, construction, and repair of schools. As a result of the issuance of the 2012 General Obligation Refunding Bonds, a partial funding of \$2,230,000 was affected for these bonds. As of June 30, 2014, the principal balance outstanding was \$23,876,217.

### **2012 General Obligation Refunding Bonds**

In December 2012, the Capistrano Unified School District issued the \$27,455,000 of 2012 General Obligation Refunding Bonds. The current interest bonds mature August 1, 2026, with interest yields of 3.00 to 4.00 percent. The bonds were issued at an aggregate price of \$31,177,966 (representing the principal amount of \$27,455,000 plus an original issue premium of \$3,722,966 less cost of issuance of \$336,695).

Proceeds from the bonds were to be used to advance refund the District's outstanding 1999 General Obligation Bonds, Series A, a portion of the District's outstanding 1999 General Obligation Bonds, Series B, the District's outstanding General Obligations Bonds, Series C, and pay costs associated with the issuance of the bonds. The prepayment for these refunding bonds occurred December 19, 2012.

The refunding of debt resulted in a decrease in debt service payments of \$7,623,472. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new certificates) of \$7,463,092. The advance refunding met the requirements of an in-substance defeasance and the associated liabilities were removed from the District's financial statements.

At June 30, 2014, the principal balance outstanding on the 2012 General Obligation Refunding Bonds, was \$22,985,000.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

---

### Debt Service Requirements to Maturity

The bonds mature through 2027 as follows:

Fiscal Year	Principal Including Accreted Interest	Accreted Interest	Current Interest to Maturity	Total
2015	\$ 3,691,261	\$ 43,739	\$ 823,250	\$ 4,558,250
2016	3,718,518	161,482	781,700	4,661,700
2017	3,736,988	283,012	737,525	4,757,525
2018	3,762,142	407,858	690,650	4,860,650
2019	3,783,860	836,140	640,850	5,260,850
2020-2024	19,796,830	6,218,170	2,092,500	28,107,500
2025-2027	8,371,618	2,848,382	251,700	11,471,700
Total	<u>\$ 46,861,217</u>	<u>\$ 10,798,783</u>	<u>\$ 6,018,175</u>	<u>\$ 63,678,175</u>

### 2012 Refunding Certificates of Participation

In November 2012, the Capistrano Unified School District issued the \$19,635,000 of 2012 Refunding Certificates of Participation, pursuant to a lease agreement between the Corporation and the District. Under the agreement, the District will lease certain District property to the Corporation and will lease the property back from the Corporation. The current interest certificates have a final maturity occurring on August 1, 2025, with interest yields of 1.00 to 3.00 percent. The certificates were issued at an aggregate price of \$19,319,921 (representing the principal amount of \$19,635,000 plus an original issue premium of \$282,182 less cost of issuance of \$597,261).

Proceeds from the bonds were to be used to advance refund the District's outstanding 2002 Certificates of Participation and pay costs associated with the issuance of the certificates. The prepayment for these refunding occurred December 1, 2012.

The refunding of debt resulted in a decrease in debt service payments of \$5,745,497. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new certificates) of \$3,191,953. The advance refunding met the requirements of an in-substance defeasance and the associated liabilities were removed from the District's financial statements.

At June 30, 2014, the principal balance outstanding on the 2012 Refunding Certificates of Participation was \$18,245,000.

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

The certificates mature through 2026 as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 1,440,000	\$ 368,898	\$ 1,808,898
2016	1,485,000	332,448	1,817,448
2017	1,515,000	310,023	1,825,023
2018	1,545,000	287,000	1,832,000
2019	1,585,000	255,698	1,840,698
2020-2024	8,600,000	757,649	9,357,649
2025-2026	2,075,000	30,937	2,105,937
Total	<u>\$ 18,245,000</u>	<u>\$ 2,342,653</u>	<u>\$ 20,587,653</u>

**Accumulated Unpaid Employee Vacation**

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2014, amounted to \$3,179,141.

**Capital Leases**

The District has entered into agreements to lease various equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

Balance, July 1, 2013	Equipment \$ 2,445,524
Payments	(828,457)
Balance, June 30, 2014	\$ 1,617,067

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2015	\$ 785,733
2016	731,702
2017	49,816
2018	49,816
Total	1,617,067
Less: Amount Representing Interest	78,026
Present Value of Minimum Lease Payments	\$ 1,539,041

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

---

### **Developer Fee Agreement**

The District has entered into an "Interim Fee Agreement" with S & S Construction, which establishes a credit bank for permits issued in the Country Village area. The credits issued will be applied to the land acquisition of the Laguna Niguel Elementary School site. Should the agreement be abandoned, the credit bank would be converted into actual fees. During 2001-2002, the District applied the credit bank towards the purchase of the school site in the County Village area. The credit bank was exhausted and a liability was established to reflect the balance due on the site purchase. S & S Construction will reduce the District's liability with future developer fee credits. As of June 30, 2014, the outstanding balance on the site purchase was \$0.

### **Other Postemployment Benefits (OPEB) Obligation**

The District's annual required contribution for the year ended June 30, 2014, was \$6,782,860, and contributions made by the District during the year were \$2,759,413. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$1,157,877 and (\$1,434,696), respectively, which resulted in an increase to the net OPEB obligation of \$3,746,628. As of June 30, 2014, the net OPEB obligation was \$26,904,161. See Note 13 for additional information regarding the OPEB obligation and the postemployment benefits plan.

### **Supplemental Early Retirement Plan (SERP)**

During the 2012-2013 school year, the District adopted a supplemental early retirement plan whereby certain eligible certificated non-management employees are provided an annuity to supplement the retirement benefits they are entitled to through their respective retirement systems. The criteria for participation are as follows: employees must be a minimum of 54 years of age with five years of service to the District. The annuities offered to the employees are to be paid over a five-year period. The annuities, which were purchased for 158 employees who retired during the 2012-2013 school year, were purchased from Pacific Life Insurance Company. The supplemental early retirement plans constitutes the outstanding liability noted below.

Year Ending June 30,	Amount
2015	\$ 2,401,682
2016	2,401,682
2017	2,401,682
Total	<u>\$ 7,205,046</u>

### **Claims Liability**

Liabilities associated with workers' compensation claims and property and liability claims are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are based upon estimated ultimate cost of settling the claims, considering recent claim settlement trends including the frequency and amount of payouts and other economic and social factors. The liability for worker's compensation claims and property and liability claims is reported in the Internal Service Fund. The outstanding claims liability at June 30, 2014, amounted to \$8,766,572.

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**NOTE 10 - EXPENDITURES (BUDGET VERSUS ACTUAL)**

At June 30, 2014, the following District major fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund	\$ 373,068,513	\$ 383,667,052 *	\$ 10,598,539

\* Includes on behalf payments of \$10,845,160, in addition to expenditures of \$1,749,673 due to the consolidation of Fund 11, Adult Education Fund, Fund 14, Deferred Maintenance Fund, and Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund.

**NOTE 11 - NON-OBLIGATORY DEBT**

Non-obligatory debt relates to debt issuances by the Community Facilities Districts as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of \$260,250,407 as of June 30, 2014, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

### NOTE 12 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Capital Facilities Fund	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total
<b>Nonspendable</b>					
Revolving cash	\$ 175,000	\$ -	\$ -	\$ 12,750	\$ 187,750
Stores inventories	94,214	-	-	129,776	223,990
Prepaid expenditures	192,784	-	-	-	192,784
Total Nonspendable	461,998	-	-	142,526	604,524
<b>Restricted</b>					
Legally restricted programs	14,569,301	-	-	4,331,879	18,901,180
Capital projects	-	14,417,251	34,342,197	6,544,771	55,304,219
Debt services	-	-	-	4,415,419	4,415,419
Total Restricted	14,569,301	14,417,251	34,342,197	15,292,069	78,620,818
<b>Assigned</b>					
Gift donations	2,258,028	-	-	-	2,258,028
Teacher development	219,529	-	-	-	219,529
Library abatement	96,277	-	-	-	96,277
Site allocations	416,489	-	-	-	416,489
Deferred maintenance	3,031,276	-	-	-	3,031,276
Adult education	358,441	-	-	-	358,441
Retiree benefits	78,554	-	-	-	78,554
Capital projects	-	-	-	10,892,231	10,892,231
Total Assigned	6,458,594	-	-	10,892,231	17,350,825
<b>Unassigned</b>					
Reserve for economic uncertainties	8,359,174	-	-	-	8,359,174
Remaining unassigned	6,996,819	-	-	-	6,996,819
Total Unassigned	15,355,993	-	-	-	15,355,993
Total	\$ 36,845,886	\$ 14,417,251	\$ 34,342,197	\$ 26,326,826	\$ 111,932,160

### NOTE 13 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

#### Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Capistrano Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Eligible retirees are those individuals who retired on or after attaining the age of 53 for classified retirees or 55 for certificated retirees and have at least 10 years of service with the District. Benefits will continue for these retirees until they reach the age of 65. Membership of the Plan consists of 451 retirees and beneficiaries currently receiving benefits, 70 terminated Plan members entitled to but not yet receiving benefits, and 3,058 active Plan members.

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

---

**Contribution Information**

The contribution requirements of plan members and the District are established and may be amended by the District and the Capistrano Unified Education Association (CUEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, CUEA, CSEA and the unrepresented groups. For fiscal year 2013-2014, the District contributed \$2,466,738 to the Plan, all of which was used for current premiums (approximately 72 percent of total premiums). Plan members receiving benefits contributed \$941,306, or approximately 28 percent of the total premiums.

**Annual OPEB Cost and Net OPEB Obligation**

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 6,782,860
Interest on net OPEB obligation	1,157,877
Adjustment to annual required contribution	<u>(1,434,696)</u>
Annual OPEB cost (expense)	6,506,041
Contributions made	<u>(2,759,413)</u>
Increase in net OPEB obligation	3,746,628
Net OPEB obligation, beginning of year	<u>23,157,533</u>
Net OPEB obligation, end of year	<u><u>\$ 26,904,161</u></u>

**Trend Information**

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2012	\$ 5,941,625	\$ 2,311,954	39%	\$ 19,396,421
2013	5,898,261	2,137,149	36%	23,157,533
2014	6,506,041	2,759,413	42%	26,904,161

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**Funded Status and Funding Progress**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2013	\$ -	\$ 57,265,077	\$ 57,265,077	0%	\$ 239,474,282	24%

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

**Actuarial Methods and Assumptions**

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

In the July 1, 2013, actuarial valuation, the unprojected unit credit method was used. The actuarial assumptions included a 5 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial five percent to an ultimate rate of eleven percent. The cost trend rate used for the Dental and Vision programs was five percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2014, was 22 years.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

---

### NOTE 14 - RISK MANAGEMENT

#### **Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2014, the District contracted with Alliance of Schools Cooperative Insurance Programs (ASCIP) for property and liability insurance coverage. Excess liability coverage is obtained through participation in Schools Excess Liability Fund (SELF) (through ASCIP). Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year. In addition, property and liability claims for which the District retains the risk of loss (claims below the District's retained limits), are administered by the Self-Insurance Fund.

#### **Workers' Compensation**

Beginning in 2009, the District has established a fund to self-insure itself for workers' compensation coverage. The workers' compensation experience of the District was calculated and applied to a premium rate, which was utilized to charge funds for the administration of the program. Excess liability coverage for workers' compensation claims is provided through the purchase of commercial insurance.

#### **Employee Medical Benefits**

The District has contracted with the Metropolitan Employee Benefit Association (MEBA), an employee/employer benefits trust to provide employee medical and surgical benefits. MEBA obtains benefit programs on behalf of the District through the purchase of commercial insurance. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts.

#### **Claims Liabilities**

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

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

---

### Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2012 to June 30, 2014 (in thousands):

	Workers' Compensation	Property and Liability	Total
Liability Balance, July 1, 2012	\$ 8,386,308	\$ 238,938	\$ 8,625,246
Claims and changes in estimates	3,136,813	847,414	3,984,227
Claims payments	(3,316,017)	(662,185)	(3,978,202)
Liability Balance, June 30, 2013	8,207,104	424,167	8,631,271
Claims and changes in estimates	1,662,947	532,028	2,194,975
Claims payments	(1,525,419)	(534,255)	(2,059,674)
Liability Balance, June 30, 2014	<u>\$ 8,344,632</u>	<u>\$ 421,940</u>	<u>\$ 8,766,572</u>
Assets available to pay claims at June 30, 2014	<u>\$ 10,821,457</u>	<u>\$ 3,436,464</u>	<u>\$ 14,257,921</u>

### NOTE 15 - EMPLOYEE RETIREMENT SYSTEMS

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

#### CalSTRS

##### Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. 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, 100 Waterfront Place, West Sacramento, California 95605.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

---

### **Funding Policy**

Due to the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. 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 2013-2014 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$15,679,891, \$14,727,500, and \$16,147,369, respectively, and equal 100 percent of the required contributions for each year.

### **CalPERS**

#### **Plan Description**

The District contributes to the School Employer Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

#### **Funding Policy**

As a result of the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. 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 2013-2014 was 11.442 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$5,654,959, \$5,642,008, and \$5,661,881, respectively, and equal 100 percent of the required contributions for each year.

#### **Public Agency Retirement System (PARS)**

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use the PARS as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 1.3 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to the pension plan. The District's contribution to PARS for the fiscal year ended June 30, 2014, was \$122,781.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

---

### On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$10,845,160 (5.541 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

### NOTE 16 - COMMITMENTS AND CONTINGENCIES

#### Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

#### Litigation

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

#### Operating Leases

The District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations. These leases have, therefore, not been accounted for as capital leases.

The following is a schedule, by years, for future minimum rental payments required under operating leases that have remaining non-cancelable lease terms in excess of one year as of June 30, 2014.

Year Ending June 30,	Lease Payment
2015	\$ 571,728
2016	571,728
2017	571,728
Total	<u>\$ 1,715,184</u>

Rental expenditures for the year ended June 30, 2014 amounted to \$571,728.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

---

### Construction Commitments

As of June 30, 2014, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Project</u>	Remaining Construction Commitment	Expected Date of Completion
Rancho Mission Viejo K-8 School	\$ 23,992,851	Unknown
Dana Hills High School - HVAC	2,280,743	Unknown
San Juan Hills High School - Portables	632,219	10/08/14
Ladera Ranch Middle School - Portables	329,092	10/08/14
San Clemente High School - Roof Replacement	1,726,538	10/22/14
Capistrano Valley High School - Pavilion and Music Plaza	733,576	10/22/14
	<u>\$ 29,695,019</u>	

### NOTE 17 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWERS AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of ASCIP public entity risk pool and Capistrano-Laguna Beach Regional Occupational Program (CLBROP) and Orange County Special Education Legal Alliance (OCSELA) joint powers authorities (JPA's). Payments for the District's regional occupational program and special education legal services are paid to the JPA's. The District pays an annual premium to ASCIP for its property and liability and excess liability coverage. The relationships between the District, the pools, and the JPA's are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2014, the District made payments of \$1,836,962, \$3,117,650, and \$7,268 to ASCIP, CLBROP, and OCSELA, respectively for purposes described above.

---

---

***REQUIRED SUPPLEMENTARY INFORMATION***

---

---

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	Original	Final		Positive
				Final
				to Actual
<b>REVENUES</b>				
Local control funding formula	\$ 257,435,436	\$ 307,021,442	\$ 308,800,663	\$ 1,779,221
Federal sources	15,711,001	18,486,546	17,002,692	(1,483,854)
Other State sources	71,896,347	51,883,285	62,847,211	10,963,926
Other local sources	3,154,489	7,380,386	7,523,848	143,462
<b>Total Revenues <sup>1</sup></b>	<b>348,197,273</b>	<b>384,771,659</b>	<b>396,174,414</b>	<b>11,402,755</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	179,063,187	188,726,801	188,422,539	304,262
Classified salaries	54,314,665	54,515,786	54,747,933	(232,147)
Employee benefits	73,416,567	74,358,370	85,110,966	(10,752,596)
Books and supplies	10,118,838	10,365,225	10,409,111	(43,886)
Services and operating expenditures	28,592,683	32,530,661	32,820,379	(289,718)
Capital outlay	245,000	170,523	156,392	14,131
Other outgo	9,711,676	12,401,147	11,999,732	401,415
<b>Total Expenditures <sup>1</sup></b>	<b>355,462,616</b>	<b>373,068,513</b>	<b>383,667,052</b>	<b>(10,598,539)</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>(7,265,343)</b>	<b>11,703,146</b>	<b>12,507,362</b>	<b>804,216</b>
<b>Other Financing Sources</b>				
Transfers in	2,111,057	186,357	-	(186,357)
<b>NET CHANGE IN FUND BALANCE</b>	<b>(5,154,286)</b>	<b>11,889,503</b>	<b>12,507,362</b>	<b>617,859</b>
<b>Fund Balance - Beginning</b>	<b>24,338,524</b>	<b>24,338,524</b>	<b>24,338,524</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 19,184,238</b>	<b>\$ 36,228,027</b>	<b>\$ 36,845,886</b>	<b>\$ 617,859</b>

<sup>1</sup> On behalf payments of \$10,845,160 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 11, Adult Education Fund, Fund 14, Deferred Maintenance Fund, and Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however, are not included in the original and final General Fund budgets.

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**SCHEDULES OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
FUNDING PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2014**

---

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a) / c)</b>
July 1, 2008	\$ -	\$ 48,670,245	\$ 48,670,245	0.00%	\$ 247,740,822	20%
July 1, 2010	-	51,500,839	51,500,839	0.00%	244,565,717	21%
July 1, 2011	-	49,680,278	49,680,287	0.00%	227,932,753	22%
July 1, 2013	-	57,265,077	57,265,077	0.00%	239,474,282	24%

---

---

***SUPPLEMENTARY INFORMATION***

---

---

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Indian Education	84.060A	[1]	\$ 53,412
Passed through California Department of Education (CDE):			
Adult Basic Education Grants			
Adult Basic Education and ESL	84.002A	14508	147,498
Adult Secondary Education	84.002A	13978	113,610
Adult English Literacy and Civics Education	84.002A	14109	115,288
Subtotal Adult Basic Education Grants			<u>376,396</u>
No Child Left Behind Act (NCLB)			
Title I Grants to Local Educational Agencies			
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14329	4,171,084
Title I, Part A - Program Improvement LEA Corrective Action, Extensive Performance Problems	84.010	14955	283,289
Subtotal Title I Grants to Local Educational Agencies			<u>4,454,373</u>
Title I, Part G - Advanced Placement Test Fee Reimbursement Program	84.330	14831	37,259
Title II, Part A - Improving Teacher Quality	84.367	14341	946,593
English Language Acquisition Program Grants			
Title III, Part A - Limited English Proficient Student Program	84.365	14346	520,053
Title III, Part A - Immigrant Education Program	85.365	15146	13,999
Subtotal English Language Acquisition Program Grants			<u>534,052</u>
Individuals with Disabilities Education Act (IDEA)			
Special Education Cluster (IDEA):			
Local Assistance Entitlement	84.027A	13379	7,363,071
Local Assistance Entitlement, Private Schools	84.027	10115	161,113
Preschool Grants	84.173	13430	196,362
Preschool Local Entitlement	84.027A	13682	464,075
Preschool Staff Development	84.173A	13431	2,664
Mental Health Allocation Plan	84.027A	14468	575,295
Subtotal Special Education Cluster (IDEA)			<u>8,762,580</u>
Early Intervention Grants	84.181	23761	51,074
Carl D. Perkins Vocational and Technical Education Act			
Adult Education	84.048	14893	245,541
Passed through California Department of Rehabilitation:			
Workability II, Transition Partnership	84.126A	10006	641,940
Total U.S. Department of Education			<u>16,103,220</u>

[1] Direct-award, no PCA number.

See accompanying note to supplementary information.

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued  
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Medicaid Cluster			
Passed through California Department of Health Services:			
Medi-Cal Billing Options	93.778	10013	\$ 553,403
Passed through Orange County Department of Education (OCDE):			
Medi-Cal Administrative Activities	93.778	10060	246,401
Subtotal Medicaid Cluster			<u>799,804</u>
Child Development: Federal Child Care, Center-Based	93.596	13609	<u>150,790</u>
Subtotal U.S. Department of Health and Services			<u>950,594</u>
 <b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	3,731,640
Basic School Breakfast Program	10.553	13390	21,053
Especially Needy Breakfast Program	10.553	13526	706,956
Meal Supplements	10.556	13392	127,156
Commodities	10.555	13396	697,950
Subtotal Child Nutrition Cluster			<u>5,284,755</u>
Child and Adult Care Food Program	10.558	13665	190,088
Passed through OCDE:			
Forest Reserve Fund	10.665	10044	3,376
Subtotal U.S. Department of Agriculture			<u>5,478,219</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
FEMA Public Assistance Grant	93.036	10014	672,953
Total Expenditures of Federal Awards			<u>\$ 23,204,986</u>

See accompanying note to supplementary information.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2014

---

### ORGANIZATION

The Capistrano Unified School District was unified in 1965 under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades kindergarten through twelve as mandated by the State and/or Federal agencies. The District operates thirty-six elementary schools, ten middle schools, two kindergarten through eighth grade schools, six high schools, one continuation high school, one adult education school, and an independent study program. There were no boundary changes during the year.

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
John Alpay	President	2016
Lynn Hatton	Vice President	2014
Dr. Gary Pritchard	Member	2016
Ellen M. Addonizio	Member	2014
Anna Bryson	Member	2014
Amy Hanacek	Member	2016
Jim Reardon	Member	2016

### ADMINISTRATION

Dr. Joseph M. Farley	Superintendent
Clark Hampton	Deputy Superintendent, Business and Support Services
Jodee Brentlinger	Assistant Superintendent, Personnel Services
Julie Hatchel	Assistant Superintendent, Elementary Education Services
Michelle LePatner	Assistant Superintendent, Secondary Education Services
Sara Jocham	Assistant Superintendent, Special Education

See accompanying note to supplementary information.

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2014**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	13,825.63	13,814.59
Fourth through sixth	11,100.88	11,085.12
Seventh and eighth	7,776.41	7,768.58
Ninth through twelfth	15,391.25	15,286.28
Total Regular ADA	<u>48,094.17</u>	<u>47,954.57</u>
Extended Year Special Education		
Transitional kindergarten through third	20.26	20.26
Fourth through sixth	17.27	17.27
Seventh and eighth	9.02	9.02
Ninth through twelfth	18.17	18.17
Total Extended Year Special Education	<u>64.72</u>	<u>64.72</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	2.37	2.28
Fourth through sixth	7.17	6.64
Seventh and eighth	7.07	7.17
Ninth through twelfth	25.89	24.24
Total Special Education, Nonpublic, Nonsectarian Schools	<u>42.50</u>	<u>40.33</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.21	0.21
Fourth through sixth	0.67	0.67
Seventh and eighth	0.69	0.69
Ninth through twelfth	3.23	3.23
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>4.80</u>	<u>4.80</u>
Community Day School		
Ninth through twelfth	8.18	9.84
Total ADA	<u>48,214.37</u>	<u>48,074.26</u>
<b>Attendance Supplement*</b>		
Regular ADA		
Ninth through twelfth	<u>139.89</u>	<u>137.41</u>

\*For ADA of Fallbrook Union High School District students attending Capistrano Unified School District

See accompanying note to supplementary information.

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2014**

---

Grade Level	1986-87	Reduced	2013-14 Actual Minutes	Number of Days		Status
	Minutes Requirement	1986-87 Minutes Requirement		Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	35,000	35,594	177	-	Complied
Grades 1 - 3	50,400	49,000				
Grade 1			50,230	177	-	Complied
Grade 2			50,230	177	-	Complied
Grade 3			50,230	177	-	Complied
Grades 4 - 6	54,000	52,500				
Grade 4			53,452	177	-	Complied
Grade 5			53,452	177	-	Complied
Grade 6			57,051	177	-	Complied
Grades 7 - 8	54,000	52,500				
Grade 7			57,051	177	-	Complied
Grade 8			57,051	177	-	Complied
Grades 9 - 12	64,800	63,000				
Grade 9			63,043	177	-	Complied
Grade 10			63,043	177	-	Complied
Grade 11			63,043	177	-	Complied
Grade 12			63,043	177	-	Complied

See accompanying note to supplementary information.

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

---

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2014.

See accompanying note to supplementary information.

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

	(Budget)			
	2015 <sup>1</sup>	2014	2013	2012
<b>GENERAL FUND <sup>4</sup></b>				
Revenues	\$ 396,710,828	\$ 393,715,124	\$ 363,062,434	\$ 375,843,189
Other sources	-	186,356	2,111,057	6,342,751
Total Revenues and Other Sources	<u>396,710,828</u>	<u>393,901,480</u>	<u>365,173,491</u>	<u>382,185,940</u>
Expenditures	401,242,270	381,917,379	362,128,687	390,284,761
Other uses and transfers out	-	-	1,000,000	-
Total Expenditures and Other Uses	<u>401,242,270</u>	<u>381,917,379</u>	<u>363,128,687</u>	<u>390,284,761</u>
<b>INCREASE (DECREASE) IN FUND BALANCE</b>	<u>\$ (4,531,442)</u>	<u>\$ 11,984,101</u>	<u>\$ 2,044,804</u>	<u>\$ (8,098,821)</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 28,846,173</u>	<u>\$ 33,377,615</u>	<u>\$ 21,393,514</u>	<u>\$ 19,348,710</u>
<b>AVAILABLE RESERVES <sup>2</sup></b>	<u>\$ 22,385,668</u>	<u>\$ 15,355,993</u>	<u>\$ 12,334,705</u>	<u>\$ 10,469,210</u>
<b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>3</sup></b>	<u>5.58%</u>	<u>4.14%</u>	<u>3.49%</u>	<u>2.75%</u>
<b>LONG-TERM OBLIGATIONS</b>	<u>N/A</u>	<u>\$ 116,273,899</u>	<u>\$ 120,391,288</u>	<u>\$ 114,394,041</u>
<b>K-12 AVERAGE DAILY ATTENDANCE AT P-2</b>	<u>47,974</u>	<u>48,354</u>	<u>48,474</u>	<u>48,717</u>

The General Fund balance has increased by \$14,028,905 over the past two years. The fiscal year 2014-2015 budget projects a decrease of \$4,531,442 (13.6 percent). For a district this size, the State recommends available reserves of at least two percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years, however anticipates incurring an operating deficit during the 2014-2015 fiscal year. Total long-term obligations have increased by \$1,879,858 over the past two years.

Average daily attendance has decreased by 363 over the past two years. Additional decline of 380 ADA is anticipated during fiscal year 2014-2015.

<sup>1</sup> Budget 2015 is included for analytical purposes only and has not been subjected to audit.

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

<sup>3</sup> On behalf payments of \$10,845,160, \$9,993,798, and \$9,433,496, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2014, 2013, and 2012, respectively.

<sup>4</sup> General Fund amounts do not include activity related to the consolidation of the Adult Education Fund, the Deferred Maintenance Fund, and the Special Reserve Fund for Postemployment Benefits as required by GASB Statement No. 54.

See accompanying note to supplementary information.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2014

---

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
Journey (Charter Number 6117758)	No
Opportunities for Learning-Capistrano (Charter Number 6120356)	No
Capistrano Connections Academy (Charter Number 106765)	No
Community Roots Academy (Charter Number 123729)	No
Oxford Preparatory Academy - South Orange (Charter Number 124743)	No

See accompanying note to supplementary information.

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2014**

	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Building Fund</b>	<b>County School Facilities Fund</b>
<b>ASSETS</b>				
Deposits and investments	\$ 636,725	\$ 4,486,113	\$ 4,494,648	\$ 2,152,903
Receivables	166,071	1,071,654	1,309	627
Due from other funds	-	3,151	-	-
Stores inventories	-	129,776	-	-
<b>Total Assets</b>	<b>\$ 802,796</b>	<b>\$ 5,690,694</b>	<b>\$ 4,495,957</b>	<b>\$ 2,153,530</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 450,087	\$ 780,529	\$ 104,716	\$ -
Due to other funds	112,639	117,561	-	-
Unearned revenue	209,719	348,550	-	-
<b>Total Liabilities</b>	<b>772,445</b>	<b>1,246,640</b>	<b>104,716</b>	<b>-</b>
<b>Fund Balances:</b>				
Nonspendable	-	142,526	-	-
Restricted	30,351	4,301,528	4,391,241	2,153,530
Assigned	-	-	-	-
<b>Total Fund Balances</b>	<b>30,351</b>	<b>4,444,054</b>	<b>4,391,241</b>	<b>2,153,530</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 802,796</b>	<b>\$ 5,690,694</b>	<b>\$ 4,495,957</b>	<b>\$ 2,153,530</b>

See accompanying note to supplementary information.

---

<b>Special Reserve</b>	<b>Fund for</b>	<b>Bond Interest</b>	<b>Debt Service</b>	<b>Total Non-Major</b>
	<b>Capital Outlay</b>	<b>and Redemption</b>	<b>Fund</b>	<b>Governmental</b>
	<b>Projects</b>	<b>Fund</b>		<b>Funds</b>
\$	10,348,296	\$ 4,415,418	\$ 1	\$ 26,534,104
	103,002	-	-	1,342,663
	442,731	-	-	445,882
	-	-	-	129,776
<b>\$</b>	<b>10,894,029</b>	<b>\$ 4,415,418</b>	<b>\$ 1</b>	<b>\$ 28,452,425</b>

\$	1,798	\$ -	\$ -	\$ 1,337,130
	-	-	-	230,200
	-	-	-	558,269
	1,798	-	-	2,125,599

	-	-	-	142,526
	-	4,415,418	1	15,292,069
	10,892,231	-	-	10,892,231
	10,892,231	4,415,418	1	26,326,826
<b>\$</b>	<b>10,894,029</b>	<b>\$ 4,415,418</b>	<b>\$ 1</b>	<b>\$ 28,452,425</b>

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Building Fund</b>	<b>County School Facilities Fund</b>
<b>REVENUES</b>				
Federal sources	\$ 150,790	\$ 5,474,843	\$ -	\$ -
Other State sources	1,774,297	336,652	-	-
Other local sources	2,685,583	4,693,096	14,264	5,517
<b>Total Revenues</b>	<b>4,610,670</b>	<b>10,504,591</b>	<b>14,264</b>	<b>5,517</b>
<b>EXPENDITURES</b>				
Current				
Instruction	3,450,839	-	-	-
Instruction-related activities:				
Supervision of instruction	558,700	-	-	-
School site administration	487,812	-	-	-
Pupil services:				
Food services	33,512	9,688,237	-	-
All other pupil services	370,676	-	-	-
Administration:				
All other administration	66,126	377,639	-	-
Plant services	-	-	-	-
Facility acquisition and construction	-	-	526,955	3,268
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
<b>Total Expenditures</b>	<b>4,967,665</b>	<b>10,065,876</b>	<b>526,955</b>	<b>3,268</b>
<b>Excess (Deficiency) of</b>				
<b>Revenues Over Expenditures</b>	<b>(356,995)</b>	<b>438,715</b>	<b>(512,691)</b>	<b>2,249</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(356,995)</b>	<b>438,715</b>	<b>(512,691)</b>	<b>2,249</b>
<b>Fund Balances - Beginning</b>	<b>387,346</b>	<b>4,005,339</b>	<b>4,903,932</b>	<b>2,151,281</b>
<b>Fund Balances - Ending</b>	<b>\$ 30,351</b>	<b>\$ 4,444,054</b>	<b>\$ 4,391,241</b>	<b>\$ 2,153,530</b>

See accompanying note to supplementary information.

<b>Special Reserve Fund for Capital Outlay Projects</b>	<b>Bond Interest and Redemption Fund</b>	<b>Debt Service Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 5,625,633
-	31,034	-	2,141,983
2,294,694	4,631,024	6	14,324,184
2,294,694	4,662,058	6	22,091,800
-	-	-	3,450,839
-	-	-	558,700
-	-	-	487,812
-	-	-	9,721,749
-	-	-	370,676
-	-	-	443,765
13,116	-	-	13,116
28,393	-	-	558,616
-	4,470,000	1,390,000	5,860,000
-	910,400	411,348	1,321,748
41,509	5,380,400	1,801,348	22,787,021
2,253,185	(718,342)	(1,801,342)	(695,221)
-	-	1,801,341	1,801,341
(1,801,341)	-	-	(1,801,341)
(1,801,341)	-	1,801,341	-
451,844	(718,342)	(1)	(695,221)
10,440,387	5,133,760	2	27,022,047
\$ 10,892,231	\$ 4,415,418	\$ 1	\$ 26,326,826

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**GENERAL FUND SELECTED FINANCIAL INFORMATION  
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND  
CHANGES OF FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2014**

(Amounts in thousands)

	Actual Results for the Years					
	2013-2014		2012-2013		2011-2012	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
<b>REVENUES</b>						
Federal revenue	\$ 16,626	4.2	\$ 17,158	4.7	\$ 30,065	8.0
State and local revenue included in local control funding formula	307,019	78.0	256,984	70.8	257,897	68.6
Other State revenue	62,728	15.9	80,531	22.2	79,001	21.0
Other local revenue	7,342	1.9	8,390	2.3	8,880	2.4
<b>Total Revenues</b>	<b>393,715</b>	<b>100.0</b>	<b>363,063</b>	<b>100.0</b>	<b>375,843</b>	<b>100.0</b>
<b>EXPENDITURES</b>						
Salaries and Benefits						
Certificated salaries	187,549	47.6	175,902	48.5	192,444	51.2
Classified salaries	54,503	13.8	53,553	14.8	57,023	15.2
Employee benefits	84,910	21.6	85,152	23.4	88,571	23.5
<b>Total Salaries and Benefits</b>	<b>326,962</b>	<b>83.0</b>	<b>314,607</b>	<b>86.7</b>	<b>338,038</b>	<b>89.9</b>
Books and supplies	10,329	2.6	8,293	2.3	8,950	2.4
Contracts and operating expenses	32,508	8.3	28,488	7.8	28,157	7.5
Capital outlay	156	0.1	459	0.1	4,281	1.1
Other outgo	11,962	3.0	10,282	2.8	10,859	2.9
<b>Total Expenditures</b>	<b>381,917</b>	<b>97.0</b>	<b>362,129</b>	<b>99.7</b>	<b>390,285</b>	<b>103.8</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>11,798</b>	<b>3.0</b>	<b>934</b>	<b>0.3</b>	<b>(14,442)</b>	<b>(3.8)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Net Financing Sources (Uses)	186	0.0	1,111	0.3	6,343	1.7
<b>INCREASE (DECREASE) IN FUND BALANCE</b>	<b>11,984</b>	<b>3.0</b>	<b>2,045</b>	<b>0.6</b>	<b>(8,099)</b>	<b>(2.1)</b>
FUND BALANCE, BEGINNING	21,394		19,349		27,448	
FUND BALANCE, ENDING	<u>\$ 33,378</u>		<u>\$ 21,394</u>		<u>\$ 19,349</u>	

See accompanying note to supplementary information.

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**CAFETERIA FUND SELECTED FINANCIAL INFORMATION  
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2014**

(Dollar amounts in thousands)

	Actual Results for the Years					
	2013-2014		2012-2013		2011-2012	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
<b>REVENUES</b>						
Federal	\$ 5,475	52.1	\$ 4,935	48.4	\$ 5,010	46.7
State meal program	337	3.2	368	3.6	368	3.4
Food sales	4,685	44.6	4,862	47.7	5,301	49.4
Other	8	0.1	24	0.3	55	0.5
Total Revenues	<u>10,505</u>	<u>100.0</u>	<u>10,189</u>	<u>100.0</u>	<u>10,734</u>	<u>100.0</u>
<b>EXPENDITURES</b>						
Salaries and employee benefits	4,595	43.7	4,774	46.8	5,076	47.3
Food	4,581	43.6	3,939	38.7	4,350	40.5
Supplies	182	1.7	92	0.9	192	1.8
Other	708	6.8	573	5.6	752	7.0
Total Expenditures	<u>10,066</u>	<u>95.8</u>	<u>9,378</u>	<u>92.0</u>	<u>10,370</u>	<u>96.6</u>
<b>INCREASE IN FUND BALANCE</b>	<u>439</u>	<u>4.2</u>	<u>811</u>	<u>8.0</u>	<u>364</u>	<u>3.4</u>
<b>FUND BALANCE, BEGINNING</b>	<u>4,005</u>		<u>3,194</u>		<u>2,830</u>	
<b>FUND BALANCE, ENDING</b>	<u>\$ 4,444</u>		<u>\$ 4,005</u>		<u>\$ 3,194</u>	

\* \* \* \* \*

**TYPE 'A' LUNCH/BREAKFAST PARTICIPATION**

	2013-2014		2012-2013		2011-2012	
	Amount	Percent	Amount	Percent	Amount	Percent
<b>TYPE 'A' LUNCHES</b>						
Paid	908,400	42.9	914,102	42.8	1,019,103	44.5
Reduced price	176,403	8.3	192,604	9.0	210,659	9.2
Free	1,032,354	48.8	1,027,558	48.2	1,058,388	46.3
Total Lunches	<u>2,117,157</u>	<u>100.0</u>	<u>2,134,264</u>	<u>100.0</u>	<u>2,288,150</u>	<u>100.0</u>
<b>BREAKFAST</b>						
Paid	43,280	10.1	43,530	10.0	59,445	13.3
Reduced price	35,080	8.1	35,586	8.2	37,406	8.4
Free	351,184	81.8	355,781	81.8	350,253	78.3
Total Breakfast	<u>429,544</u>	<u>100.0</u>	<u>434,897</u>	<u>100.0</u>	<u>447,104</u>	<u>100.0</u>

See accompanying note to supplementary information.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

---

### NOTE 1 - PURPOSE OF SCHEDULES

#### Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of FEMA Public Assistance Grant Funds which have been recorded in the prior period as revenues, but were spent in the current period. In addition, Medi-Cal Billing Option Funds have been recorded in the current period as revenues that have not been expended as of June 30, 2014. This unspent balance is reported as a legally restricted ending balance within the General Fund.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 22,628,325
Medi-Cal Billing Options	93.778	(96,292)
FEMA Public Assistance Grant	97.036	672,953
Total Schedule of Expenditures of Federal Awards		<u>\$ 23,204,986</u>

#### Local Education Agency Organization Structure

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

#### Schedule of Average Daily Attendance (ADA)

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

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

---

### **Schedule of Instructional Time**

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

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

### **Reconciliation of Annual Financial and Budget Report With Audited Financial Statements**

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

### **Schedule of Financial Trends and Analysis**

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

### **Schedule of Charter Schools**

This schedule lists all Charter Schools chartered by the School District and displays information for each Charter School on whether or not the Charter School is included in the School District audit.

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

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

### **General Fund Selected Financial Information**

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

### **Cafeteria Fund Selected Financial Information**

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

---

---

***INDEPENDENT AUDITOR'S REPORTS***

---

---



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

Governing Board  
Capistrano Unified School District  
San Juan Capistrano, 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, each major fund, and the aggregate remaining fund information of Capistrano Unified School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Capistrano Unified School District's basic financial statements, and have issued our report thereon dated November 30, 2014.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Capistrano Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Capistrano Unified School District in a separate letter dated November 30, 2014.

## **Purpose of This Report**

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

*Varrinck, Jino, Ong & Co., LLP*

Rancho Cucamonga, California  
November 30, 2014



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

Governing Board  
Capistrano Unified School District  
San Juan Capistrano, California

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

We have audited Capistrano Unified 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 Capistrano Unified School District's (the District) major Federal programs for the year ended June 30, 2014. Capistrano Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

## Opinion on Each Major Federal Program

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

## Report on Internal Control Over Compliance

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

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

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

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

*Vavrinck, Jino, Day & Co., LLP*

Rancho Cucamonga, California  
November 30, 2014



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
Capistrano Unified School District  
San Juan Capistrano, California

### Report on State Compliance

We have audited Capistrano Unified School District's compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2013-2014* that could have a direct and material effect on each of the Capistrano Unified School District's State government programs as noted below for the year ended June 30, 2014.

### Management's Responsibility

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

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Capistrano Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-2014*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Capistrano Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Capistrano Unified School District's compliance with those requirements.

### Unmodified Opinion

In our opinion, Capistrano Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2014.

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

	Procedures in Audit Guide	Procedures Performed
<b>Attendance Accounting:</b>		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes, see below
<b>Instructional Time:</b>		
School Districts	10	Yes
<b>Instructional Materials:</b>		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	No, see below
<b>After School Education and Safety Program:</b>		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Not Applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
<b>Charter Schools:</b>		
Contemporaneous Records of Attendance	8	Not Applicable
Mode of Instruction	1	Not Applicable
Non Classroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not Applicable
Annual Instruction Minutes Classroom-Based	4	Not Applicable
Charter School Facility Grant Program	1	Not Applicable

We did not perform testing for Work Experience because the District does not offer this program. Additionally, we did not perform testing for California Clean Energy Jobs Act because no funds were spent in the current fiscal year.

*Vavrinck, Jino, Day & Co., LLP*  
 Rancho Cucamonga, California  
 November 30, 2014

---

---

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

---

---

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2014**

---

**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

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

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I Grants to Local Educational Agencies</u>
<u>93.778</u>	<u>Medicaid Cluster</u>
<u>84.027A, 84.027, 84.173A, 84.173</u>	<u>Special Education Cluster (IDEA)</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 696,150</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
---	-------------------

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014**

---

None reported.

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

---

None reported.

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

---

None reported.

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014**

---

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.



Governing Board  
Capistrano Unified School District  
San Juan Capistrano, California

In planning and performing our audit of the financial statements of Capistrano Unified School District, for the year ended June 30, 2014, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated November 30, 2014, on the government-wide financial statements of the District.

### ***ASSOCIATED STUDENT BODY***

*San Juan Hills High School*

#### Observations

1. One of 35 deposits tested did not appear to be deposited timely.
2. Currently, receipts are not being issued by the ASB to clubs/teams.
3. An explanation is not being completed on the revenue potential form for the difference between the actual and expected revenue and expenditures.
4. The Activities Director currently approves disbursements to reimburse to herself.

#### Recommendations

1. Deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity, there may be a need to make more than one deposit.
2. Receipts should be issued for all monies that are being collected. Issuing receipts from a pre-numbered sequential receipt book adds more controls over the safeguarding of monies. Receipts allow the site to ensure that all monies are properly accounted for and subsequently deposited into the bank account within a reasonable amount of time.
3. Revenue potential forms should state both the estimates, as well as, the actual fundraiser data along with an explanation for the difference. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential form also indicates weak control areas in the fundraising procedures at the site, including lost or stolen merchandise, problems with collecting all monies due, and so forth.
4. The site should assign an appropriate approver, such as the site principal, for reimbursements made to the Activities Director.

*Tesoro High School*

Observations

1. A second signature is not always present on the cash count sheet. The activities clerk is consistently signing off; however, the signature by the person depositing the monies is not always present.
2. Currently, receipts are not being issued by the ASB to clubs/teams.
3. Revenue potential forms state the expected revenues and expenses, but do not state the actual revenue and expenses upon completion of the fundraiser.
4. The site currently has not conducted an inventory count because they are unsure as to when the inventory counts should be conducted.
5. The change fund is currently over by approximately \$300.
6. The site does not properly account for District related expenses. Currently, the site pays all District related expenses from the general ASB account. However, no allocation of expenditures is being performed to transfer the expense from the general ASB account to the appropriate club/team account. As a result, a large negative balance is shown in the general ASB holding account, and the correct balances for those club/team accounts are not properly reflected.

Recommendations

1. All monies deposited by clubs/team with the ASB should be counted and verified at the time the money is turned over to the activities clerk. As evidence of this verification a signature by the activities clerk and the person depositing monies should be present on the cash count sheet. This procedure prevents and avoids any dispute over the amount of cash submitted by the person turning in the funds to the ASB.
2. Receipts should be issued for all monies that are being collected. Issuing receipts from a pre-numbered sequential receipt book adds more controls over the safeguarding of monies. Receipts allow the site to ensure that all monies are properly accounted for and subsequently deposited into the bank account within a reasonable amount of time.
3. Revenue potential forms should state both the estimates, as well as, the actual fundraiser data. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential form also indicates weak control areas in the fundraising procedures at the site, including lost or stolen merchandise, problems with collecting all monies due and so forth.
4. At least once a month, a physical inventory of all items in the student store should be completed and compared to the perpetual count. Any differences should be investigated to determine and correct the cause of discrepancies in student store inventory.
5. The change fund should be maintained at the balance reflected on the site financial statements. The auditor recommended that the site deposit the excess monies and continue to reconcile to the stated change fund balance to ensure that monies are properly safeguarded.
6. The site should create a purchase order request for each individual club/team in relation to District related expenses. The purchase order should have all necessary signed approvals as proof of the payment(s) appropriateness. Furthermore, the site should ensure that each club/team is being charged for their related District expenses upon receiving the invoice.

*Arroyo Vista Middle School*

*Revenue Potential Forms*

Observation

Based on the review of fund raising events, it was noted for all three events tested, a revenue potential form was not used to document the fund-raising event.

Recommendation

Revenue potential forms should state both the estimates, as well as, the actual fundraiser data along with an explanation for the difference. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential form also indicates weak control areas in the fundraising procedures at the site, including lost or stolen merchandise, problems with collecting all monies due and so forth.

*Ladera Ranch Middle School*

*Receipts*

Observation

Sub-receipts are not consistently used for cash collections by teachers and advisors. When deposits are sent to the Student Body bookkeeper, copies of the receipts pertaining to the monies collected are generally not forwarded. As a result, the Student Body bookkeeper is not able to properly account for cash being remitted to the ASB.

Recommendation

A key control procedure to ensure that all monies collected by teachers and advisors are included in the deposit forwarded to the bookkeeper is to receipt all monies and total the receipts issued since the last deposit to ensure that the cash equals the total of the receipts. Upon receipt of the cash, receipt carbons, and total receipts issued recap, the bookkeeper should verify the information and ensure that the sub-receipts are in chronological and numeric order. Once verified, the bookkeeper should issue a receipt back to the teacher or advisor which would equal the verified cash and receipts issued by the teacher or advisor.

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

*Vavrinck, Jimo, Day & Co., LLP*

Rancho Cucamonga, California  
November 30, 2014