

**LA CAÑADA UNIFIED SCHOOL DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2015**

# LA CAÑADA UNIFIED SCHOOL DISTRICT

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
La Cañada Unified School District  
La Cañada Flintridge, 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 La Canada Unified School District (the District) as of and for the year ended June 30, 2015, 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 the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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.

## ***Opinion***

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 La Canada Unified School District, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter - Change in Accounting Principles***

As discussed in Notes 1 and 16 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 13, and the budgetary comparison, other postemployment benefit (OPEB) information, the District's proportionate share of the net pension liability, and the District contributions on pages 64 through 67, 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 La Canada 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 24, 2015, on our consideration of the La Canada 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 La Canada Unified School District's internal control over financial reporting and compliance.

Rancho Cucamonga, California  
November 24, 2015

This section of the La Cañada 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 June 30, 2015, with comparative information from the year ended June 30, 2014. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The intent of the analysis is to look at the District's financial performance as a whole; readers should also review the auditor's letter, notes to the basic financial statements, and the basic government-wide financial statements to enhance understanding of the District's financial performance.

La Cañada Unified School District serves approximately 4,043 students in grades TK - 12. There are three elementary schools, and one combined junior high and high school. Approximately 400 certificated and classified employees provide for the academic and support needs of the District's students. The District is located in La Cañada Flintridge, California.

## ***OVERVIEW OF THE FINANCIAL STATEMENTS***

### ***The Financial Statements***

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

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities. 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 two categories of activities: governmental, 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.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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### ***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*, we separate the District activities as follows:

**Governmental Activities** - The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students, 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, and parcel tax 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.

**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.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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### *THE DISTRICT AS A TRUSTEE*

#### *Reporting the Districts Fiduciary Responsibilities*

The District is the *fiduciary* for funds held on behalf of others, like our funds for associated student body activities. 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.

### *THE DISTRICT AS A WHOLE*

#### *Net Position*

The District's net position was \$6,577,393 for the fiscal year ended June 30, 2015. Of this amount, (\$28,116,502) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use that 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**

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014 as Restated</u>
<b>Assets</b>		
Current and other assets	\$ 17,722,668	\$ 18,400,833
Capital assets	<u>56,064,679</u>	<u>56,866,443</u>
<b>Total Assets</b>	<u>73,787,347</u>	<u>75,267,276</u>
<b>Deferred Outflows of Resources</b>	<u>2,166,367</u>	<u>1,854,179</u>
<b>Liabilities</b>		
Current liabilities	5,259,693	6,447,909
Long-term obligations/bonded debt <sup>1</sup>	31,015,993	30,129,899
Aggregate net pension liability	<u>26,181,940</u>	<u>32,675,815</u>
<b>Total Liabilities</b>	<u>62,457,626</u>	<u>69,253,623</u>
<b>Deferred Inflows of Resources</b>	<u>6,918,695</u>	<u>-</u>
<b>Net Position</b>		
Net investment in capital assets	29,882,971	29,299,095
Restricted	4,810,924	5,273,920
Unrestricted	<u>(28,116,502)</u>	<u>(26,705,183)</u>
<b>Total Net Position</b>	<u>\$ 6,577,393</u>	<u>\$ 7,867,832</u>

<sup>1</sup> Reflects voter approved/paid General Obligation Bond payment obligations.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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The (\$28,116,502) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations.

### *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 15. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

**Table 2**

	Governmental Activities	
	2015	2014
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 634,468	\$ 675,300
Operating grants and contributions	4,384,984	5,132,552
Capital grants and contributions		
General revenues:		
Federal and State aid not restricted	13,670,403	12,645,724
Property taxes	20,790,883	17,772,237
Other general revenues	7,100,080	6,688,022
<b>Total Revenues</b>	<u>46,580,818</u>	<u>42,913,835</u>
<b>Expenses</b>		
Instruction-related	32,230,608	29,425,676
Student support services	3,382,731	3,164,129
Administration and technology <sup>1</sup>	3,930,542	3,621,123
Maintenance and operations	5,332,058	4,658,961
Other	2,995,318	2,163,039
<b>Total Expenses</b>	<u>47,871,257</u>	<u>43,032,928</u>
<b>Change in Net Position</b>	<u>\$ (1,290,439)</u>	<u>\$ (119,093)</u>

<sup>1</sup> Information technology expenses totaled \$1,747,261 in 2014-2015.

### *Governmental Activities*

As reported in the *Statement of Activities* on page 15, the cost of all of the District governmental activities this year was \$47,871,257. However, the amount that the District taxpayers ultimately financed for these activities through local taxes was only \$20,790,883 because the cost was paid by those who benefited from the programs \$634,468 or by other governmental agencies and organizations who subsidized certain programs with grants and contributions of \$4,384,984. The District paid for the remaining "public benefit" portion of the District governmental activities with \$20,770,483 in Federal and State funds, and with other general revenues, such as interest and general entitlements.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2015**

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

**Table 3**

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction-related	\$ 32,230,608	\$ 29,425,676	\$ 28,296,635	\$ 24,941,941
Pupil services	3,382,731	3,164,129	2,560,567	2,274,111
Administration and technology	3,930,542	3,621,123	3,798,194	3,317,024
Maintenance and operations	5,332,058	4,658,961	5,201,091	4,528,961
Other	2,995,318	2,163,039	2,995,318	2,163,039
<b>Total</b>	<b>\$ 47,871,257</b>	<b>\$ 43,032,928</b>	<b>\$ 42,851,805</b>	<b>\$ 37,225,076</b>

Instruction-related activities comprise approximately 67.43 percent of expenses. Pupil Services including home-to-school transportation and food services equal 7.06 percent of expenses. Administrative expenses, including Informational Services and Technology, represent 8.13 percent of expenses, and Maintenance and Operations, including facilities acquisition, construction, and other expenses represent 17.38 percent of expenses.

### ***THE DISTRICT'S FUNDS***

As the District completed this year, our governmental funds reported a combined fund balance of \$13,695,046, which is a decrease of \$775,299 from last year (Table 4).

**Table 4**

	Balances and Activity			
	July 1, 2014	Revenues	Expenditures	June 30, 2015
General Fund	\$ 9,332,177	\$ 40,959,151	\$ 42,297,279	\$ 7,994,049
Bond Interest and Redemption Fund	3,641,417	4,129,830	4,003,084	3,768,163
Cafeteria Fund	48,411	692,298	710,545	30,164
Building Fund	119	99	-	218
Capital Facilities Fund	14,336	311,194	47,930	277,600
Special Reserve Fund for Capital Outlay Projects	1,433,885	650,470	459,503	1,624,852
<b>Total</b>	<b>\$ 14,470,345</b>	<b>\$ 46,743,042</b>	<b>\$ 47,518,341</b>	<b>\$ 13,695,046</b>

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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The primary reasons for these increased/decreases are:

- a. With stronger economic stability, the District was able to negotiate a four percent salary increase for all employees which was the primary reason for the decrease.

### *General Fund Budgetary Highlights*

The District's budget is prepared in accordance with California law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgetary fund is the General Fund.

The District begins the budget process in January of each year. By law, the Governing Board must adopt a Final Budget by June 30. A proposed Final Budget is presented in June, which reflects the latest known financial information, including the Governor's May Revise of the State budget. The Final Budget is presented in June, first at a public hearing, followed by adoption in late June. During the course of the fiscal year, the District revises its budget as it addresses various changes to previously established revenue and expenditure projections.

These reports include revisions based on the adopted State budget that are presented to the Governing Board in August, the report of prior year (unaudited) revenue and expenditure information presented in early September, and the First and Second Interim Financial reports presented respectively in December and March.

Over the course of the year, the District revises its budget as necessary to address unexpected changes in revenues and expenditures. The final amendment to the budget was adopted in June 2015. (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 continued to implement the State Local Control Funding Formula for 2014-2015 and has reflected this funding model in the 2014-2015 and multiyear budgets.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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### *CAPITAL ASSET AND DEBT ADMINISTRATION*

#### *Capital Assets*

At June 30, 2015, the District had \$56,009,004 in a broad range of capital assets (net of depreciation), including land and construction in progress, buildings and improvements, and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$857,439, or 1.51 percent, from last year (Table 5).

**Table 5**

	Governmental Activities	
	2015	2014
Land and construction in progress	\$ 1,166,697	\$ 926,963
Buildings and improvements	54,640,108	55,776,704
Equipment	257,874	162,776
<b>Total</b>	<b>\$ 56,064,679</b>	<b>\$ 56,866,443</b>

This fiscal year's additions of approximately \$920,000 for infrastructure, technology, exterior enhancement of building and equipment.

#### *Long-Term Obligations*

At the end of this year, the District's voter-approved debt was \$25,959,039 in bonds outstanding versus \$27,581,729 last year, a decrease of 5.88 percent. Those bonds consisted of:

**Table 6**

	2015	2014
General obligation bonds (voter-approved)	<u>\$ 25,959,039</u>	<u>\$ 27,581,729</u>

The District's general obligation bond rating continues to be "Aa2/AA". 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 \$25,959,039 is significantly below the statutorily-imposed limit.

#### *Net Pension Liability (NPL)*

At year-end, the District had a pension liability of \$26,181,940 as a result of implementing GASB Statement No. 68.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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### *Other Long-Term Obligations*

Other obligations include compensated absences payable, postemployment benefits and other long-term obligations. We present more detailed information regarding our long-term obligations in Note 8 of the financial statements.

**Table 7**

	Governmental Activities	
	2015	2014
Compensated absences	\$ 237,156	\$ 210,608
Premium on debt	957,740	1,026,150
Other	211,913	242,884
PARS supplemental retirement plan	678,135	356,798
OPEB	2,972,010	2,543,879
<b>Total</b>	<b>\$ 5,056,954</b>	<b>\$ 4,380,319</b>

### ***FINANCIAL HIGHLIGHTS***

- General revenues (primarily State and Federal sources and property taxes and local revenue) accounted for \$41,561,366 in revenue or 89 percent of all revenues. Program revenues (restricted programs) accounted for \$4,384,984 or 9 percent of total revenue of \$46,580,818.
- Expenses in the governmental funds were \$47,926,932; \$4,384,984 of these expenses was offset by program specific charges for services, grants, or contributions. General revenues of \$41,561,366 were adequate to provide the remaining \$43,541,948 required for these programs. This resulted in a negative change in total Net Position of (\$1,346,114) as described in Table 2.
- The General Fund reported a positive fund balance of \$7,994,049 of which \$6,803,870 is designated for economic uncertainties and other designations, including the required reserve balance.
- The La Cañada Flintridge Educational Foundation funded \$2,100,000 during 2014-2015.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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

In considering the District Budget for the 2015-2016 year, the governing board and management used a variety of budgetary assumptions.

The key assumptions in our forecast included:

- Student enrollment trends reflected an increase for 2015-2016 of approximately 48 students.
- The District has reflected the new funding model in the Revised Budget for 2015-2016.
- Projected retirement of staff of approximately four employees.
- Increased costs associated with employee compensation (step and column).
- Special Education Program expenditures will continue to be monitored fiscally to ensure compliance of maintenance of effort requirements.
- Utility increase of approximately eight percent.
- Parcel Tax Revenue of approximately \$2.6 million.
- Deferred Maintenance contribution of approximately \$572,000 from General Fund.

As the District prepares for the 2015-2016 and beyond, the fiscal impact on the District of the State of California's overall revenue remains unknown. La Cañada Unified School District received 67 percent of its General Fund Local Control Funding Formula funds from the State of California in 2015-2016. The District is, therefore, highly dependent on State revenue. The District will continue to closely monitor enrollment in the coming years. With careful planning and monitoring of its finances, the Governing Board of the La Cañada Unified School District believes that it can continue to provide a quality educational program for students.

### *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 funding it receives. If you have questions about this report or need any additional financial information, please contact Business Services, at La Cañada School District, 4490 Cornishon Avenue, La Cañada, California, 91011, or e-mail at [mevans@lcsd.net](mailto:mevans@lcsd.net).

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2015

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 16,155,039
Receivables	1,406,845
Prepaid expenses	21,515
Stores inventories	52,031
Other current assets	87,238
Capital assets:	
Land and construction in progress	1,166,697
Other capital assets	90,350,418
Less: Accumulated depreciation	<u>(35,452,436)</u>
Total Capital Assets, Net	<u>56,064,679</u>
<b>Total Assets</b>	<u><b>73,787,347</b></u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Current year pension contribution	<u>2,166,367</u>
 <b>LIABILITIES</b>	
Accounts payable	3,940,670
Accrued interest	1,232,071
Unearned revenue	86,952
Current portion of long-term obligations other than pensions	1,974,931
Noncurrent portion of long-term obligations other than pensions	<u>29,041,062</u>
Total Long-Term Obligations <sup>1</sup>	31,015,993
Aggregate net pension liability	<u>26,181,940</u>
<b>Total Liabilities</b>	<u><b>62,457,626</b></u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Difference between projected and actual earnings on pension plan investments	<u>6,918,695</u>
 <b>NET POSITION</b>	
Net investment in capital assets	29,882,971
Restricted for:	
Debt service	2,536,092
Capital projects	1,888,183
Educational programs	356,485
Other activities	30,164
Unrestricted	<u>(28,116,502)</u>
<b>Total Net Position</b>	<u><b>\$ 6,577,393</b></u>

<sup>1</sup> Includes \$25,959,039 of voter approved General Obligation Bonds.

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

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 27,215,884	\$ -	\$ 3,661,699	\$ (23,554,185)
Instruction-related activities:				
Supervision of instruction	1,239,391	-	133,166	(1,106,225)
Instructional library, media, and technology	1,047,318	-	2,158	(1,045,160)
School site administration	2,728,015	-	136,950	(2,591,065)
Pupil services:				
Home-to-school transportation	296,563	-	-	(296,563)
Food services	678,272	603,393	39,088	(35,791)
All other pupil services	2,407,896	-	179,683	(2,228,213)
Administration:				
Information technology	1,747,261	-	-	(1,747,261)
All other administration	2,183,281	31,075	101,273	(2,050,933)
Plant services	5,332,058	-	130,967	(5,201,091)
Ancillary services	55,023	-	-	(55,023)
Community services	55,250	-	-	(55,250)
Interest on long-term obligations	2,870,652	-	-	(2,870,652)
Other outgo	14,393	-	-	(14,393)
<b>Total Governmental Activities</b>	<b>\$ 47,871,257</b>	<b>\$ 634,468</b>	<b>\$ 4,384,984</b>	<b>(42,851,805)</b>
<b>General Revenues and Subventions:</b>				
				14,075,419
Property taxes, levied for general purposes				4,103,823
Property taxes, levied for debt service				2,611,641
Taxes levied for other specific purposes				13,670,403
Federal and State aid not restricted to specific purposes				84,947
Interest and investment earnings				7,015,133
Miscellaneous				<u>41,561,366</u>
<b>Subtotal, General Revenues</b>				<u>(1,290,439)</u>
<b>Change in Net Position</b>				<u>38,689,468</u>
Net Position - Beginning				(30,821,636)
Prior Period Adjustment				<u>7,867,832</u>
Net Position - Beginning, as Restated				<u>\$ 6,577,393</u>
Net Position - Ending				

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

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2015

	<b>General Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Non Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Deposits and investments	\$ 10,360,076	\$ 3,768,163	\$ 2,026,800	\$ 16,155,039
Receivables	1,366,003	-	40,842	1,406,845
Prepaid expenditures	21,515	-	-	21,515
Stores inventories	40,709	-	11,322	52,031
Other current assets	87,238	-	-	87,238
<b>Total Assets</b>	<b>\$ 11,875,541</b>	<b>\$ 3,768,163</b>	<b>\$ 2,078,964</b>	<b>\$ 17,722,668</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 3,860,815	\$ -	\$ 79,855	\$ 3,940,670
Unearned revenue	20,677	-	66,275	86,952
<b>Total Liabilities</b>	<b>3,881,492</b>	<b>-</b>	<b>146,130</b>	<b>4,027,622</b>
<b>Fund Balances:</b>				
Nonspendable	68,224	-	11,322	79,546
Restricted	356,485	3,768,163	1,921,512	6,046,160
Assigned	765,470	-	-	765,470
Unassigned	6,803,870	-	-	6,803,870
<b>Total Fund Balance</b>	<b>7,994,049</b>	<b>3,768,163</b>	<b>1,932,834</b>	<b>13,695,046</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 11,875,541</b>	<b>\$ 3,768,163</b>	<b>\$ 2,078,964</b>	<b>\$ 17,722,668</b>

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

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2015

<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 13,695,046</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:	\$ 91,517,115	
Accumulated depreciation is:	<u>(35,452,436)</u>	
Net Capital Assets		56,064,679
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		2,166,367
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.		(1,232,071)
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(6,918,695)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(26,181,940)
Long-term obligations at year-end consist of:		
General obligation bonds payable	(25,959,039)	
Premium on debt	(957,740)	
Compensated absences (vacations)	(237,156)	
Other long-term obligation	(211,913)	
PARS supplemental retirement plan	(678,135)	
Other postemployment benefits	<u>(2,972,010)</u>	
Total Long-Term Obligations		(31,015,993)
<b>Total Net Position - Governmental Activities</b>		<b><u><u>\$ 6,577,393</u></u></b>

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

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Local Control Funding Formula	\$ 26,744,530	\$ -	\$ -	\$ 26,744,530
Federal sources	894,848	-	56,173	951,021
Other State sources	4,435,083	19,524	1,047	4,455,654
Other local sources	8,884,690	4,110,306	1,246,841	14,241,837
<b>Total Revenues</b>	<u>40,959,151</u>	<u>4,129,830</u>	<u>1,304,061</u>	<u>46,393,042</u>
<b>EXPENDITURES</b>				
Current				
Instruction	25,319,767	-	-	25,319,767
Instruction-related activities:				
Supervision of instruction	1,190,929	-	-	1,190,929
Instructional library, media, and technology	1,018,098	-	-	1,018,098
School site administration	2,595,468	-	-	2,595,468
Pupil services:				
Home-to-school transportation	277,105	-	-	277,105
Food services	1,069	-	676,563	677,632
All other pupil services	2,296,365	-	-	2,296,365
Administration:				
Information technology	1,721,864	-	-	1,721,864
All other administration	1,808,989	-	81,912	1,890,901
Plant services	5,194,536	-	121,402	5,315,938
Facility acquisition and construction	355,965	-	338,101	694,066
Ancillary services	54,792	-	-	54,792
Community services	55,099	-	-	55,099
Debt service				
Principal	30,971	1,622,690	-	1,653,661
Interest and other	11,869	2,380,394	-	2,392,263
<b>Total Expenditures</b>	<u>41,932,886</u>	<u>4,003,084</u>	<u>1,217,978</u>	<u>47,153,948</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(973,735)</u>	<u>126,746</u>	<u>86,083</u>	<u>(760,906)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	350,000	350,000
Transfers out	(350,000)	-	-	(350,000)
Other uses	(14,393)	-	-	(14,393)
<b>Net Financing Sources (Uses)</b>	<u>(364,393)</u>	<u>-</u>	<u>350,000</u>	<u>(14,393)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(1,338,128)	126,746	436,083	(775,299)
<b>Fund Balances - Beginning</b>	9,332,177	3,641,417	1,496,751	14,470,345
<b>Fund Balances - Ending</b>	<u>\$ 7,994,049</u>	<u>\$ 3,768,163</u>	<u>\$ 1,932,834</u>	<u>\$ 13,695,046</u>

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

# LA CAÑADA 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, 2015

<b>Total Net Change in Fund Balances - Governmental Funds</b>		<b>\$ (775,299)</b>
<b>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:</b>		
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	\$ (1,721,952)	
Capital outlays	<u>920,188</u>	
Net Expense Adjustment		(801,764)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures on these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was less than the amounts earned by \$26,548.		(26,548)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in deferred outflows, deferred inflows and net pension liability during the year.		(112,632)
In the Statement of Activities, Other Post Employment Benefits (OPEB) Obligations are measured by an actuarially determined Annual Required Contribution (ARC). In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, amounts contributed toward the OPEB obligation were less than the ARC by \$428,131.		(428,131)
In the Statement of Activities, certain operating expenses special termination benefits (early retirement) are measure by the amounts earned during the year. In the governmental funds, however, expenditures for this item are measure by the amount of financial resources used (essentially, the amounts actually paid). This year, there are new special termination benefits in the amount of \$624,670 and amounts paid in the amount of \$303,333.		(321,337)
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	1,622,690	
Other long-term obligations	30,971	
		1,653,661

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

# LA CAÑADA 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, 2015

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Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.

This adjustment combines the net changes of the following balance:

Amortization of premium on debt	\$ 68,410
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.	<u>(546,799)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ (1,290,439)</u></u></b>

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

**LA CAÑADA UNIFIED SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

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	<u>Agency Funds</u>
<b>ASSETS - ASSOCIATED STUDENT BODY FUNDS</b>	
Deposits and investments	\$ 653,819
<b>LIABILITIES</b>	
Due to student groups	\$ 653,819

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

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The La Cañada Unified School District (the District) was unified on July 1, 1961, under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades TK - 12 as mandated by the State and/or Federal agencies. The District operates three elementary schools, and one combined junior high and high school.

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 La Cañada 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 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 the taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

For financial reporting purposes the component unit discussed below is not reported in the District's financial statements. The component unit did not meet the criteria established in Government Accounting Standards Board (GASB) Statement No.14 as amended by GASB Statement No. 39 based on its significance and relationship to the District. However, based on the reasons indicated below the La Cañada Flintridge Educational Foundation is not included in this report.

**The La Cañada Flintridge Educational Foundation** The La Cañada Flintridge Educational Foundation (the Foundation) is a legally separate, tax-exempt entity. The Foundation's sole purpose is to provide financial support for La Cañada Unified School District. Although the District does not control the timing or the amount of receipts of the Foundation, the majority of the resources held by the Foundation can only be used by, or for the benefit of the District. During the year ended June 30, 2015, the Foundation contributed approximately \$2,100,000 to the District.

**Financial Statement Presentation** For financial statement purposes, the Foundation's financial activity should be discretely presented in the District's financial statements. However, current audited financial information was not available at the time of the District's audit. As of June 30, 2015, La Cañada Flintridge Educational Foundation, Inc. reported total net position of approximately \$6,029,173 (unaudited).

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### **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 two broad fund categories: governmental 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.

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result of combining Funds 14, 17, and 20, the General Fund has an additional expenses, revenues, and assets of \$599,627, \$848,739, and \$2,899,672, respectively.

**Bond Interest and Redemption Fund (51)** The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

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

**Special Revenue Funds** The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to expenditures for specified purposes 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.

**Cafeteria Fund (13)** 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).

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

**Capital Facilities Fund (25)** 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).

**Special Reserve Fund for Capital Outlay Projects (40)** 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).

**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. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

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

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

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and 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. 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.

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

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

**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 Balance 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.

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

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

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

**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 deferred revenue is removed from the balance sheet and revenue is recognized.

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

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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**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.

### **Investments**

Investments held at June 30, 2015, 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.

### **Restricted Assets**

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the General and Debt Service Funds represent investments required by debt covenants, and existing government code, to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance, and state reporting requirements.

### **Prepaid Expenditures**

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

### **Stores Inventories**

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental funds 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 \$5,000. 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.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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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, 2 to 15 years.

### **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 financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial 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.

### **Accrued Liabilities and Long-Term Obligations**

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance, which is available for appropriation in future periods. Fund balance reserves have been established for revolving cash accounts, stores inventories, and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund balance designations have been established for economic uncertainties.

### **Debt Issuance Costs, Premiums, and Discounts**

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

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the current year pension contributions.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

### Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

### Fund Balances - Governmental Funds

As of June 30, 2015, 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.

### 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.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### Minimum Fund Balance Policy

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

### 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 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 \$4,810,924 of restricted net position.

### 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. 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 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.

### 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.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### 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 Los Angeles bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

### Change in Accounting Principles

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.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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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).
- 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.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

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.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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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.

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 District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014 by \$30,821,636. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

### **New Accounting Pronouncements**

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.
- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

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

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No., 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to 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 defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 16,155,039
Fiduciary funds	653,819
Total Deposits and Investments	<u>\$ 16,808,858</u>

Deposits and investments as of June 30, 2015, consisted of the following:

Cash on hand and in banks	\$ 657,319
Cash in revolving	6,000
Investments	16,145,539
Total Deposits and Investments	<u>\$ 16,808,858</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.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

### 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

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District 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 Los Angeles County Pool and money market mutual funds.

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Carrying Value	Fair Value	Weighted Average Maturity In Days
Los Angeles County Investment Pool	<u>\$ 16,145,539</u>	<u>\$ 16,127,779</u>	595

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the *California Government Code*, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End	
			S&P	Moody's
Los Angeles County Investment Pool	<u>\$ 16,127,779</u>	None	AAA	Aaa

### 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, 2015, the District has \$428,043 in bank deposits with financial institutions exposed to custodial credit risk.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### NOTE 3 - RECEIVABLES

Receivables at June 30, 2015, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government			
Categorical aid	\$ 512,310	\$ 3,934	\$ 516,244
State Government			
State principal apportionment	75,626	-	75,626
Categorical aid	8,706	-	8,706
Lottery	345,523	-	345,523
Local Government			
Interest	17,390	1,445	18,835
Other Local Sources	406,448	35,463	441,911
Total	<u>\$ 1,366,003</u>	<u>\$ 40,842</u>	<u>\$ 1,406,845</u>

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 926,963	\$ -	\$ -	\$ 926,963
Construction in Progress	-	239,734	-	239,734
Total Capital Assets Not Being Depreciated	926,963	239,734	-	1,166,697
Capital Assets Being Depreciated:				
Land Improvements	2,577,745	-	-	2,577,745
Buildings and Improvements	82,974,028	537,865	-	83,511,893
Furniture and Equipment	4,118,191	142,589	-	4,260,780
Total Capital Assets Being Depreciated	89,669,964	680,454	-	90,350,418
Total Capital Assets	90,596,927	920,188	-	91,517,115
Less Accumulated Depreciation:				
Land Improvements	1,477,170	97,198	-	1,574,368
Buildings and Improvements	28,297,899	1,577,263	-	29,875,162
Furniture and Equipment	3,955,415	47,491	-	4,002,906
Total Accumulated Depreciation	33,730,484	1,721,952	-	35,452,436
Governmental Activities Capital Assets, Net	\$ 56,866,443	\$ (801,764)	\$ -	\$ 56,064,679

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

<b>Governmental Activities</b>	
Instruction	\$ 1,128,740
Supervision of instruction	39,261
Instructional library, media, and technology	20,491
School site administration	116,404
Home-to-school transportation	19,458
All other pupil services	92,813
Information technology	22,041
All other administration	282,744
Total Depreciation Expenses Governmental Activities	<u>\$ 1,721,952</u>

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

### NOTE 5 - INTERFUND TRANSACTIONS

#### Operating Transfers

Interfund transfers for the year ended June 30, 2015, consisted of the following:

<u>Transfer To</u>	<u>Transfer From General Fund</u>
Non-Major Governmental Funds	\$ 350,000

The General Fund transferred to the non-major Special Reserve Fund for Other Than Capital Outlay Projects for replacement of high school field.

\$ 350,000

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

### NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2015, consisted of the following:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Activities</u>
Vendor payables	\$ 1,163,843	\$ 58,741	\$ 1,222,584
State apportionment	209,775	-	209,775
Salaries and benefits	2,309,966	21,114	2,331,080
Other	177,231	-	177,231
Total	<u>\$ 3,860,815</u>	<u>\$ 79,855</u>	<u>\$ 3,940,670</u>

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

### NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2015, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 13,083	\$ 51,799	\$ 64,882
Other local	7,594	14,476	22,070
Total	<u>\$ 20,677</u>	<u>\$ 66,275</u>	<u>\$ 86,952</u>

### NOTE 8 - LONG-TERM OBLIGATIONS

#### Summary

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
General obligation bonds	\$ 27,581,729	\$ -	\$ 1,622,690	\$ 25,959,039	\$ 1,640,168
Premium on debt	1,026,150	-	68,410	957,740	-
Compensated absences	210,608	26,548	-	237,156	-
Other long-term obligations	242,884	-	30,971	211,913	31,430
PARS supplemental retirement plan	356,798	624,670	303,333	678,135	303,333
Net OPEB Obligation	2,543,879	581,611	153,480	2,972,010	-
Total	<u>\$ 31,962,048</u>	<u>\$ 1,232,829</u>	<u>\$ 2,178,884</u>	<u>\$ 31,015,993</u>	<u>\$ 1,974,931</u>

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.
- Payments for OPEB obligation are made in the General Fund.
- Payments for other long-term obligations are made to the City of La Cañada Flintridge for installation of the two sewer systems in the General Fund.
- Payments for PARS Supplemental Retirement Plan are made in the General Fund.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2014	Issued	Redeemed	Outstanding June 30, 2015
8/15/1995	8/1/2020	4.10-6.60%	\$ 14,999,979	\$ 3,486,729	\$ -	\$ 527,690	\$ 2,959,039
3/1/2000	8/1/2025	4.00-5.65%	3,500,000	1,830,000	-	-	1,830,000
8/5/2003	8/1/2027	2.20-5.25%	2,500,000	95,000	-	95,000	-
7/1/2004	8/1/2017	3.00-5.00%	15,000,000	1,645,000	-	525,000	1,120,000
7/1/2008	8/1/2029	4.00-5.00%	5,800,000	4,440,000	-	275,000	4,165,000
2/1/2009	8/1/2032	2.00-5.39%	4,200,000	4,150,000	-	25,000	4,125,000
10/27/11	8/1/2028	2.75-5.00%	12,440,000	11,935,000	-	175,000	11,760,000
				<u>\$ 27,581,729</u>	<u>\$ -</u>	<u>\$ 1,622,690</u>	<u>\$ 25,959,039</u>

### Debt Service Requirements to Maturity

In August 1995, the District issued \$14,999,979 in Election 1995 General Obligation Bonds. Proceeds from the bonds were permitted to be used for the purpose of construction and acquisition of certain real property and improvements for school facilities within the District. The remaining bonds mature through August 2020 and yield interest ranging from 4.10 percent to 6.60 percent. At June 30, 2015, the principal balance outstanding was \$2,959,039.

The District's bonds mature through 2021, as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	\$ 520,168	\$ 1,339,832	\$ 1,860,000
2017	506,395	1,443,605	1,950,000
2018	499,134	1,550,866	2,050,000
2019	485,384	1,664,616	2,150,000
2020	477,090	1,777,910	2,255,000
2021	470,868	1,904,133	2,375,001
Total	<u>\$ 2,959,039</u>	<u>\$ 9,680,962</u>	<u>\$ 12,640,001</u>

In March 2000, the District issued \$3,500,000 in Election 1999 General Obligation Bonds, Series A. Proceeds from the bonds were permitted to be used for the purpose of construction and acquisition of certain real property and improvements for school facilities within the District. The remaining bonds mature through August 2025 and yield interest ranging from 4.00 percent to 5.65 percent. On October 27, 2011, the District issued \$12,440,000 of General Obligation Refunding Bonds to advance refund \$685,000, a portion of the bonds. At June 30, 2015, the principal balance outstanding was \$1,830,000.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The District's bonds mature through 2026, as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	\$ -	\$ 105,225	\$ 105,225
2017	-	105,225	105,225
2018	160,000	105,225	265,225
2019	170,000	96,025	266,025
2020	180,000	86,250	266,250
2021-2025	1,070,000	263,638	1,333,638
2026	250,000	264,375	514,375
Total	\$ 1,830,000	\$ 1,025,963	\$ 2,855,963

In August 2003, the District issued \$2,500,000 in Election 1999 General Obligation Bonds, Series B. Proceeds from the bonds were permitted to be used for the purpose of construction and acquisition of certain real property and improvements for school facilities within the District. The remaining bonds mature through August 2027 and yield interest ranging from 2.20 percent to 5.25 percent. On October 27, 2011, the District issued \$12,440,000 of General Obligation Refunding Bonds to advance refund a portion of the bonds. At June 30, 2015, there was no remaining balance.

In July 2004, the District issued \$15,000,000 in Election 2004 General Obligation Bonds, Series A. Proceeds from the bonds were permitted to be used for the purpose of construction and acquisition of certain real property and improvements for school facilities within the District. The remaining bonds mature through August 2017 and yield interest ranging from 3.00 percent to 5.00 percent. On October 27, 2011, the District issued \$12,440,000 of General Obligation Refunding Bonds to advance refund a portion of the bonds. As a result, \$9,475,000 Series A Current Interest Bonds are considered to be defeased and the liability for these bonds has been removed from the accompanying financial statements. The outstanding principal amount of the defeased debt as of June 30, 2015, was \$9,475,000. At June 30, 2015, the principal balance outstanding was \$1,120,000.

The District's bonds mature through 2017, as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	\$ 550,000	\$ 551,188	\$ 1,101,188
2017	570,000	527,538	1,097,538
Total	\$ 1,120,000	\$ 1,078,726	\$ 2,198,726

In July 2008, the District issued \$5,800,000 in Election 2004 General Obligation Bonds, Series B. Proceeds from the bonds were permitted to be used for the purpose of construction and acquisition of certain real property and improvements for school facilities within the District. The remaining bonds mature through August 2029 and yield interest ranging from 4.00 percent to 5.00 percent. At June 30, 2015, the principal balance outstanding was \$4,165,000.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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The District's bonds mature through 2030, as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2016	\$ 300,000	\$ 196,125	\$ 496,125
2017	270,000	185,250	455,250
2018	300,000	175,125	475,125
2019	325,000	160,125	485,125
2020	925,000	608,000	1,533,000
2021-2025	1,495,000	439,250	1,934,250
2026-2030	550,000	27,500	577,500
Total	<u>\$ 4,165,000</u>	<u>\$ 1,791,375</u>	<u>\$ 5,956,375</u>

In February 2009, the District issued \$4,200,000 in Election 2004 General Obligation Bonds, Series C. Proceeds from the bonds were permitted to be used for the purpose of construction and acquisition of certain real property and improvements for school facilities within the District. The remaining bonds mature through August 2032 and yield interest ranging from 2.00 percent to 5.39 percent. At June 30, 2015, the principal balance outstanding was \$4,125,000.

The District's bonds mature through 2033, as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2016	\$ -	\$ 232,938	\$ 232,938
2017	50,000	232,938	282,938
2018	25,000	231,250	256,250
2019	25,000	230,375	255,375
2020	75,000	229,375	304,375
2021-2025	1,450,000	1,022,125	2,472,125
2026-2030	500,000	627,500	1,127,500
2031-2033	2,000,000	244,500	2,244,500
Total	<u>\$ 4,125,000</u>	<u>\$ 3,051,001</u>	<u>\$ 7,176,001</u>

In October 2011, the District issued \$12,440,000 in 2011 Refunding General Obligation Bonds. Proceeds from the bonds were permitted to be used for the purpose to refund a portion of the Election 1999 General Obligation Bonds Series A, Election 1999 General Obligation Bonds Series B and 2004 General Obligation Bonds Series A District's outstanding debt. The remaining bonds mature through August 2028 and yield interest ranging from 2.75 percent to 5.00 percent. At June 30, 2015, the principal balance outstanding was \$11,760,000.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The District's bonds mature through 2029, as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2016	\$ 270,000	\$ 531,663	\$ 801,663
2017	295,000	520,863	815,863
2018	725,000	509,063	1,234,063
2019	775,000	472,813	1,247,813
2020	800,000	442,500	1,242,500
2021-2025	4,595,000	1,572,500	6,167,500
2026-2029	4,300,000	434,500	4,734,500
Total	<u>\$ 11,760,000</u>	<u>\$ 4,483,902</u>	<u>\$ 16,243,902</u>

### Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2015, amounted to \$237,156.

### Other General Long-Term Obligations

The District has entered into an agreement with the City of La Cañada to pay the District's portion of the installation of two sewer systems.

The leases have minimum lease payments as follows:

<u>Fiscal Year</u>	<u>Sewer Systems</u>
2016	\$ 42,107
2017	41,138
2018	40,159
2019	26,055
2020	24,989
2021-2024	89,019
Total	<u>263,467</u>
Less: Amount Representing Interest	51,554
Present Value of Minimum Lease Payments	<u>\$ 211,913</u>

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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### **PARS Supplemental Retirement Plan**

The District offered an early retirement incentive to qualified employees under a qualified plan of Section 403(b) of the Internal Revenue Code. Currently, there are 15 employees participating in this plan and the District's obligation to those retirees as of June 30, 2015, is \$678,135.

<u>Fiscal Year</u>	<u>Total Payment</u>
2016	\$ 303,333
2017	124,934
2018	124,934
2019	124,934
Total	<u>\$ 678,135</u>

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

The District's annual required contribution for the year ended June 30, 2015, was \$615,911, and contributions made by the District during the year were \$153,480. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$127,194 and (\$161,494), respectively, which resulted in an increase to the net OPEB obligation of \$428,131. As of June 30, 2015, the net OPEB obligation was \$2,972,010. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

### NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
<b>Nonspendable</b>				
Revolving cash	\$ 6,000	\$ -	\$ -	\$ 6,000
Stores inventories	40,709	-	11,322	52,031
Prepaid expenditures	21,515	-	-	21,515
Total Nonspendable	<u>68,224</u>	<u>-</u>	<u>11,322</u>	<u>79,546</u>
<b>Restricted</b>				
Legally restricted programs	356,485	-	18,842	375,327
Capital projects	-	-	1,902,670	1,902,670
Debt services	-	3,768,163	-	3,768,163
Total Restricted	<u>356,485</u>	<u>3,768,163</u>	<u>1,921,512</u>	<u>6,046,160</u>
<b>Assigned</b>				
Funding shortfall	765,470	-	-	765,470
<b>Unassigned</b>				
Reserve for economic uncertainties	6,803,870	-	-	6,803,870
Total Unassigned	<u>6,803,870</u>	<u>-</u>	<u>-</u>	<u>6,803,870</u>
Total	<u>\$ 7,994,049</u>	<u>\$ 3,768,163</u>	<u>\$ 1,932,834</u>	<u>\$ 13,695,046</u>

### NOTE 10 - LEASE REVENUES

Lease agreements have been entered into with various lessees for terms that exceed one year. None of the agreements contain purchase options. All of the agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but is unlikely that the District will cancel any of the agreements prior to their expiration date. The future minimum lease payments expected to be received under these agreements are as follows:

Year Ending June 30,	Lease Revenue
2016	\$ 1,883,357
2017	1,940,211
Total	<u>\$ 3,823,568</u>

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

#### Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical and dental insurance benefits to eligible retirees and their family members for up to five years or until age 65, whichever comes first. Membership of the Plan consists of 15 retirees and beneficiaries currently receiving benefits and 233 active Plan members. Beginning October 1, 2011, all employees hired will not be eligible for postemployment benefits.

#### Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the La Cañada Teachers Association (LCTA), the local California Service Employees Association (CSEA Chapter), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2014-2015, the District contributed \$153,480 to the Plan, all of which was used for current 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 thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 615,911
Interest on net OPEB obligation	127,194
Adjustment to annual required contribution	(161,494)
Annual OPEB cost (expense)	<u>581,611</u>
Contributions made	<u>(153,480)</u>
Increase in net OPEB obligation	428,131
Net OPEB obligation, beginning of year	<u>2,543,879</u>
Net OPEB obligation, end of year	<u><u>\$ 2,972,010</u></u>

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

### Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
2013	\$ 698,930	\$ 184,886	26%	\$ 2,073,012
2014	587,960	117,093	20%	2,543,879
2015	581,611	153,480	26%	2,972,010

### Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - 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	\$ -	\$ 4,561,602	\$ 4,561,602	0%	\$ 22,702,698	20.09%

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. Since this is the first year of implementation, only the current year information is presented.

### 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.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### NOTE 12 - RISK MANAGEMENT

#### **Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2015, the District contracted with Alliance of Schools for Cooperative Insurance Programs (ASCIP) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### **Workers' Compensation**

For fiscal year 2015, the District participated in the Schools Linked for Insurance Management (SLIM), a public risk sharing pool established pursuant to a Joint Powers Agreement for the purpose of self-insuring and reinsuring workers' compensation. Participation in SLIM gives the District the advantage of pooled member contributions, risk sharing and the purchase of insurance at lower cost. This allows SLIM to retain a degree of control over insurance rate structures adding to the stability and longevity of their program. The workers' compensation experience of the participating districts is calculated based on each member's experience. For claims prior to July 1, 2005, total savings are calculated and each participant's individual performance is compared to the overall savings percentage. A participant will either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of SLIM. Effective July 1, 2005, SLIM utilizes risk transfer through The Protected Insurance Program for Schools JPA (PIPS), a finite risk-sharing pool that transfers risk away from the members. Participation in SLIM is limited to districts that can meet SLIM selection criteria.

#### **Employee Medical Benefits**

The District has contracted with the Alliance of Schools for Cooperative Insurance Programs (ASCIP) to provide medical, vision, and dental benefits to qualifying district employees and dependents. ASCIP is a non-profit risk-sharing Joint Power Authority (JPA) providing comprehensive insurance programs to California public entities for health benefits, property/liability, workers' compensation, and ancillary lines of coverage. The District pays a monthly contribution, which is placed in a common fund from which claim and premium payments are made for all participating Districts. Renewal rates are based on a combination of the pool's financial performance blended with district-specific claims ratios. Annual rate actions are approved by ASCIP's Executive Board, which is comprised of representatives from pool member districts.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

### NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense, and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalSTRS	\$ 21,339,840	\$ 1,593,136	\$ 5,254,895	\$ 1,849,465
CalPERS	4,842,100	573,231	1,663,800	429,534
Total	\$ 26,181,940	\$ 2,166,367	\$ 6,918,695	\$ 2,278,999

The details of each plan are as follows:

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

##### Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

##### Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

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

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required State contribution rate	5.95%	5.95%

### Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the District's total contributions were \$1,593,136.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	\$ 21,339,840
State's proportionate share of the net pension liability associated with the District	<u>12,885,917</u>
Total	<u><u>\$ 34,225,757</u></u>

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.0365 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$1,112,471. In addition, the District recognized \$1,849,465 in revenue and pension expense of \$1,112,471 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,593,136	\$ -
Difference between projected and actual earnings on pension plan investments	-	<u>5,254,895</u>
Total	<u><u>\$ 1,593,136</u></u>	<u><u>\$ 5,254,895</u></u>

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 1,313,724
2017	1,313,724
2018	1,313,724
2019	1,313,723
Total	<u>\$ 5,254,895</u>

### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary' investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are log normally distributed and independently from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

### Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.60%)	\$ 33,263,230
Current discount rate (7.60%)	\$ 21,339,840
1% increase (8.60%)	\$ 11,397,900

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### California Public Employees Retirement System (CalPERS)

#### Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions for funding, but not accounting purposes, and membership information is listed in the June 30, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:

<https://www.calpers.ca.gov/page/forms-publications>.

#### Benefits Provided

CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the total District contributions were \$573,231.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$4,842,100. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.0427 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$429,534. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 573,231	\$ -
Difference between projected and actual earnings on pension plan investments	-	1,663,800
Total	<u>\$ 573,231</u>	<u>\$ 1,663,800</u>

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended	Amortization
<u>June 30,</u>	
2016	\$ 415,950
2017	415,950
2018	415,950
2019	415,950
Total	<u>\$ 1,663,800</u>

### Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

### Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.50%)	\$ 8,494,149
Current discount rate (7.50%)	\$ 4,842,100
1% increase (8.50%)	\$ 1,790,445

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### 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 \$924,694 (5.679 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 14 - COMMITMENTS AND CONTINGENCIES

#### Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

#### 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, 2015.

#### Operating Leases

The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2016	\$ 54,580
2017	26,839
2018	12,428
Total	<u>\$ 93,847</u>

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### NOTE 15 - PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of the Schools Linked for Insurance Management (SLIM) and Alliance of Schools for Cooperative Insurance Programs (ASCIP). The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the pools 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.

The District has appointed its representative to the governing board of SLIM. During the year ended June 30, 2015, the District made payments of \$516,088 and \$357,159 to SLIM and ASCIP, respectively for insurance.

### NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

#### Statement of Net Position

Net Position - Beginning	\$ 38,689,468
Inclusion of net pension liability from the adoption of GASB Statement No. 68	(32,675,815)
Inclusion of deferred outflows of resources from the adoption of GASB Statement No. 68	1,854,179
Net Position - Beginning as Restated	<u>\$ 7,867,832</u>

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***REQUIRED SUPPLEMENTARY INFORMATION***

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# LA CAÑADA UNIFIED SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
<b>REVENUES</b>				
Local Control Funding Formula	\$ 26,461,671	\$ 26,752,565	\$ 26,744,530	\$ (8,035)
Federal sources	886,759	901,377	894,848	(6,529)
Other State sources <sup>1</sup>	3,099,879	3,399,209	4,435,083	1,035,874
Other local sources	8,682,229	8,670,640	8,884,690	214,050
<b>Total Revenues <sup>2</sup></b>	<b>39,130,538</b>	<b>39,723,791</b>	<b>40,959,151</b>	<b>1,235,360</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	18,455,761	18,722,643	18,753,098	(30,455)
Classified salaries	5,679,400	6,647,733	6,676,341	(28,608)
Employee benefits <sup>1</sup>	6,895,678	7,383,722	8,272,331	(888,609)
Books and supplies	1,468,738	2,118,653	2,053,067	65,586
Services and operating expenditures	6,170,557	5,830,149	5,673,541	156,608
Capital outlay	100,000	207,208	461,668	(254,460)
Debt service - principal	-	-	30,971	(30,971)
Debt service - interest	-	-	11,869	(11,869)
<b>Total Expenditures <sup>2</sup></b>	<b>38,770,134</b>	<b>40,910,108</b>	<b>41,932,886</b>	<b>(1,022,778)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>360,404</b>	<b>(1,186,317)</b>	<b>(973,735)</b>	<b>212,582</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(901,531)	(1,203,776)	(350,000)	853,776
Other uses	-	-	(14,393)	(14,393)
<b>Net Financing Sources (Uses)</b>	<b>(901,531)</b>	<b>(1,203,776)</b>	<b>(364,393)</b>	<b>839,383</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(541,127)</b>	<b>(2,390,093)</b>	<b>(1,338,128)</b>	<b>1,051,965</b>
<b>Fund Balance - Beginning</b>	<b>9,332,177</b>	<b>9,332,177</b>	<b>9,332,177</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 8,791,050</b>	<b>\$ 6,942,084</b>	<b>\$ 7,994,049</b>	<b>\$ 1,051,965</b>

<sup>1</sup> On behalf payments of \$924,694 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

<sup>2</sup> In addition, due to the consolidation of Fund 14, Deferred Maintenance Fund, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, 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.

**LA CAÑADA UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING  
PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2015**

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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, 2009	\$ -	\$ 5,934,000	\$ 5,934,000	0%	\$ 25,817,000	22.98%
July 1, 2011	-	5,293,004	5,293,004	0%	26,342,823	20.09%
July 1, 2013	-	4,561,602	4,561,602	0%	22,702,698	20.09%

**LA CAÑADA UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>2015</u>
<b>CalSTRS</b>	
District's proportion of the net pension liability	<u>0.0365%</u>
District's proportionate share of the net pension liability	\$ 21,339,840
State's proportionate share of the net pension liability associated with the District	<u>12,885,917</u>
Total	<u><u>\$ 34,225,757</u></u>
District's covered - employee payroll	<u>\$ 16,265,079</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>131.20%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77%</u>
<b>CalPERS</b>	
District's proportion of the net pension liability	<u>0.0427%</u>
District's proportionate share of the net pension liability	<u>\$ 4,842,100</u>
District's covered - employee payroll	<u>\$ 4,478,234</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>108.13%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83%</u>

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2015

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2015

### CalSTRS

Contractually required contribution	\$ 1,593,136
Contributions in relation to the contractually required contribution	<u>1,593,136</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 17,940,721</u>
Contributions as a percentage of covered - employee payroll	<u>8.88%</u>

### CalPERS

Contractually required contribution	\$ 573,231
Contributions in relation to the contractually required contribution	<u>573,231</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 4,870,272</u>
Contributions as a percentage of covered - employee payroll	<u>11.77%</u>

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***SUPPLEMENTARY INFORMATION***

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**LA CAÑADA UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

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>			
Passed through the California Department of Education (CDE):			
Elementary and Secondary Education Act as amended by the No Child Left Behind Act of 2001 (NCLB)			
Title III Cluster:			
Title III - Limited English Proficiency	84.365A	14346	\$ 25,189
Title III - Immigrant Education Program	84.365	15146	10,763
Total Title III Cluster			<u>35,952</u>
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	72,559
Individuals with Disabilities Education Act (IDEA):			
Special Education IDEA Cluster:			
Basic Local Assistance, Part B, Sec 611	84.027	13379	668,349
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	20,937
Federal Preschool Grants, Part B, Sec 619	84.173	13430	9,746
Preschool Staff Development, Part B, Sec 619	84.173A	13431	243
Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	45,661
Local Assistance, Part B, Sec 611, Private Schools ISPs	84.027	10115	25,818
Total Special Education IDEA Cluster			<u>770,754</u>
Subtotal			<u>879,265</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through the CDE:			
Forest Reserve	10.665	10044	15,583
Child Nutrition Cluster:			
National School Lunch Program	10.555	13391	38,657
Basic Breakfast Program	10.553	13525	788
Food Distribution	10.555	13389	16,728
Total Child Nutrition Cluster			<u>56,173</u>
Subtotal			<u>71,756</u>
Total Federal Programs			<u><u>\$ 951,021</u></u>

See accompanying note to supplementary information.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2015

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### ORGANIZATION

The La Cañada School District was established July 1, 1885. On July 1, 1961, the District became a unified school district (La Cañada Unified School District), and consists of an area comprising approximately 144 square miles in Los Angeles County. The District operates three elementary schools, and one combined junior high and high school. There were no boundary changes during the year.

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Andrew Blumenfeld	President	2015
Ellen Multari	Vice President	2015
David Sagal	Clerk	2017
Dan F. Jeffries	Member	2017
Kaitzer P. Puglia	Member	2017

### ADMINISTRATION

Wendy Sinnette	Superintendent
Patricia Hager	Associate Superintendent, Human Resources
Dr. Jeff Davis	Assistant Superintendent, Human Resources – Pupil Personnel Services (as of July 2015)
Anais Wenn	Assistant Superintendent, Curriculum and Instruction
Mark Evans	Chief Business and Operations Officer
Diane Clinton	Director of Fiscal Services
Lindi Dreibelbis	Chief Director of Assessment, Research, Consolidated Program and CalPADS
Dr. Tamara Jackson	Executive Director of Special Education
Jamie Lewsadden	Program Director of Technology, Infrastructure and Integration

See accompanying note to supplementary information.

**LA CAÑADA UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2015**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	997.37	979.26
Fourth through sixth	889.28	903.09
Seventh and eighth	681.85	683.19
Ninth through twelfth	1,353.03	1,354.10
Total Regular ADA	<u>3,921.53</u>	<u>3,919.64</u>
Extended Year Special Education		
Transitional kindergarten through third	2.35	2.79
Fourth through sixth	14.92	10.61
Seventh and eighth	2.01	3.19
Ninth through twelfth	9.56	6.40
Total Extended Year Special Education	<u>28.84</u>	<u>22.99</u>
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	2.50	0.98
Seventh and eighth	3.79	3.14
Ninth through twelfth	6.70	7.53
Total Special Education, Nonpublic, Nonsectarian Schools	<u>12.99</u>	<u>11.65</u>
Total ADA	<u><u>3,963.36</u></u>	<u><u>3,954.28</u></u>

See accompanying note to supplementary information.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2015

Grade Level	1986-87	Reduced	2014-15 Actual Minutes	Number of Days		Status
	Minutes Requirement	1986-87 Minutes Requirement		Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	35,000	39,600	180	N/A	Complied
Grades 1 - 3	50,400	49,000				
Grade 1			57,900	180	N/A	Complied
Grade 2			57,900	180	N/A	Complied
Grade 3			57,900	180	N/A	Complied
Grades 4 - 6	54,000	52,500				
Grade 4			57,900	180	N/A	Complied
Grade 5			57,900	180	N/A	Complied
Grade 6			57,900	180	N/A	Complied
Grades 7 - 8	54,000	52,500				
Grade 7			65,269	180	N/A	Complied
Grade 8			65,269	180	N/A	Complied
Grades 9 - 12	64,800	63,000				
Grade 9			65,269	180	N/A	Complied
Grade 10			65,269	180	N/A	Complied
Grade 11			65,269	180	N/A	Complied
Grade 12			65,269	180	N/A	Complied

See accompanying note to supplementary information.

**LA CAÑADA UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2015.

See accompanying note to supplementary information.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

	(Budget) 2016 <sup>1</sup>	2015	2014	2013
<b>GENERAL FUND</b> <sup>4</sup>				
Revenues	\$ 44,164,933	\$ 40,942,125	\$ 37,717,299	\$ 35,245,713
Other sources and transfers in	16,000	-	-	713,596
<b>Total Revenues     and Other Sources</b>	<b>44,180,933</b>	<b>40,942,125</b>	<b>37,717,299</b>	<b>35,959,309</b>
Expenditures	40,951,946	41,347,652	37,589,425	35,988,167
Other uses and transfers out	1,505,000	1,181,713	1,017,811	452,530
<b>Total Expenditures     and Other Uses</b>	<b>42,456,946</b>	<b>42,529,365</b>	<b>38,607,236</b>	<b>36,440,697</b>
<b>INCREASE (DECREASE) IN FUND BALANCE</b>	<b>\$ 1,723,987</b>	<b>\$ (1,587,240)</b>	<b>\$ (889,937)</b>	<b>\$ (481,388)</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 7,080,286</b>	<b>\$ 5,356,299</b>	<b>\$ 6,943,539</b>	<b>\$ 7,833,476</b>
<b>AVAILABLE RESERVES</b> <sup>2</sup>	<b>\$ 6,711,141</b>	<b>\$ 6,803,870</b>	<b>\$ 5,747,715</b>	<b>\$ 7,497,230</b>
<b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO</b> <sup>3</sup>	<b>15.81%</b>	<b>16.35%</b>	<b>15.25%</b>	<b>21.06%</b>
<b>LONG-TERM OBLIGATIONS</b>	<b>NA</b>	<b>\$ 31,015,993</b>	<b>\$ 31,962,048</b>	<b>\$ 33,459,488</b>
<b>K-12 AVERAGE DAILY ATTENDANCE AT P-2</b>	<b>3,896</b>	<b>3,963</b>	<b>3,947</b>	<b>4,025</b>

The General Fund balance has decreased by \$2,477,177 over the past two years. The fiscal year 2015-2016 budget projects an increase of \$1,723,987 (32.19 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in all of the past three years, but anticipates incurring an operating surplus during the 2015-2016 fiscal year. Total long-term obligations have decreased by \$2,443,495 over the past two years.

Average daily attendance has decreased by 62 over the past two years. A decrease of 67 ADA is anticipated during fiscal year 2015-2016.

<sup>1</sup> Budget 2016 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund.

<sup>3</sup> On behalf payments made by the State of California of \$924,694, \$873,802, and \$842,792, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015, 2014, and 2013, respectively.

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

See accompanying note to supplementary information.

**LA CAÑADA UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2015**

	<b>Cafeteria Fund (13)</b>	<b>Building Fund (21)</b>	<b>Capital Facilities Fund (25)</b>
<b>ASSETS</b>			
Deposits and investments	\$ 86,708	\$ 14,487	\$ 310,659
Receivables	4,232	48	654
Stores inventories	11,322	-	-
<b>Total Assets</b>	<b>\$ 102,262</b>	<b>\$ 14,535</b>	<b>\$ 311,313</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 20,299	\$ 14,317	\$ 33,713
Unearned revenue	51,799	-	-
<b>Total Liabilities</b>	<b>72,098</b>	<b>14,317</b>	<b>33,713</b>
<b>Fund Balances:</b>			
Nonspendable	11,322	-	-
Restricted	18,842	218	277,600
<b>Total Fund Balances</b>	<b>30,164</b>	<b>218</b>	<b>277,600</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 102,262</b>	<b>\$ 14,535</b>	<b>\$ 311,313</b>

See accompanying note to supplementary information.

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<b>Special Reserve Fund for Capital Outlay Projects (40)</b>	<b>Total Non-Major Governmental Funds</b>
\$ 1,614,946	\$ 2,026,800
35,908	40,842
-	11,322
\$ 1,650,854	\$ 2,078,964

\$ 11,526	\$ 79,855
14,476	66,275
26,002	146,130

-	11,322
1,624,852	1,921,512
1,624,852	1,932,834

\$ 1,650,854	\$ 2,078,964
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**LA CAÑADA UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Cafeteria Fund (13)</b>	<b>Building Fund (21)</b>	<b>Capital Facilities Fund (25)</b>
<b>REVENUES</b>			
Federal sources	\$ 56,173	\$ -	\$ -
Other State sources	1,047	-	-
Other local sources	635,078	99	311,194
<b>Total Revenues</b>	<u>692,298</u>	<u>99</u>	<u>311,194</u>
<b>EXPENDITURES</b>			
Current			
Pupil services:			
Food services	676,563	-	-
Administration:			
All other administration	33,982	-	47,930
Plant services	-	-	-
Facility acquisition and construction	-	-	-
<b>Total Expenditures</b>	<u>710,545</u>	<u>-</u>	<u>47,930</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(18,247)</u>	<u>99</u>	<u>263,264</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	(18,247)	99	263,264
<b>Fund Balances - Beginning</b>	48,411	119	14,336
<b>Fund Balances - Ending</b>	<u>\$ 30,164</u>	<u>\$ 218</u>	<u>\$ 277,600</u>

See accompanying note to supplementary information.

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<b>Special Reserve Fund for Capital Outlay Projects (40)</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ 56,173
-	1,047
300,470	1,246,841
<u>300,470</u>	<u>1,304,061</u>
-	676,563
-	81,912
121,402	121,402
<u>338,101</u>	<u>338,101</u>
<u>459,503</u>	<u>1,217,978</u>
<u>(159,033)</u>	<u>86,083</u>
<u>350,000</u>	<u>350,000</u>
190,967	436,083
1,433,885	1,496,751
<u>\$ 1,624,852</u>	<u>\$ 1,932,834</u>

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

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### NOTE 1 - PURPOSE OF SCHEDULES

#### **Schedule of Expenditures of Federal Awards**

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

#### **Local Education Agency Organization Structure**

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

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

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

#### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. 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 the 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.

# LA CAÑADA UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

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

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

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***INDEPENDENT AUDITOR'S REPORTS***

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**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  
La Canada Unified School District  
La Cañada Flintridge, 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 La Canada Unified School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise La Canada Unified School District's basic financial statements, and have issued our report thereon dated November 24, 2015.

**Emphasis of Matter - Change in Accounting Principles**

As discussed in Notes 1 and 16 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered La Canada 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 La Canada Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of La Canada 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 La Canada 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*.

### **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.

Rancho Cucamonga, California  
November 24, 2015

**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  
La Canada Unified School District  
La Cañada Flintridge, California

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

We have audited La Canada 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 La Canada Unified School District's (the District) major Federal programs for the year ended June 30, 2015. La Canada 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 La Canada 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 La Canada 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 La Canada Unified School District's compliance.

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

In our opinion, La Canada 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, 2015.

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

Management of La Canada 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 La Canada 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 La Canada 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.

Rancho Cucamonga, California  
November 24, 2015

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
La Canada Unified School District  
La Cañada Flintridge, California

### **Report on State Compliance**

We have audited La Canada Unified School District's compliance with the types of compliance requirements as identified in the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, that could have a direct and material effect on each of the La Canada Unified School District's State government programs as noted below for the year ended June 30, 2015.

### ***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 La Canada 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 *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. 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 La Canada 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 La Canada Unified School District's compliance with those requirements.

### ***Unmodified Opinion on Each of the Programs***

In our opinion, La Canada 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, 2015.

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

	<u>Procedures Performed</u>
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	No, see below
Adult Education Maintenance of Effort	No, see below
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Charter Schools:	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

The District does not offer an Independent Study Program; therefore, we did not perform procedures related to the Independent Study Program.

The District does not offer a Continuation Education Attendance Program; therefore, we did not perform procedures related to the Continuation Education Attendance Program.

The District does not offer an Early Retirement Incentive Program; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.

The District does not have any Regional Occupational Centers; therefore, we did not perform any procedures related to Regional Occupational Centers or Programs Maintenance of Effort.

The District does not have any Adult Education Program; therefore, we did not perform any procedures related to Adult Education Maintenance of Effort.

The District does not offer an After School Education and Safety Program; therefore, we did not perform any procedures related to the After School Education and Safety Program.

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Rancho Cucamonga, California  
November 24, 2015

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**LA CAÑADA UNIFIED SCHOOL DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**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 programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173, 84.027A, 84.173A	Special Education IDEA Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
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**LA CAÑADA UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.

**LA CAÑADA UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.

**LA CAÑADA UNIFIED SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.

**LA CAÑADA UNIFIED SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

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There were no audit findings reported in the prior year's schedule of financial statement findings.