

**POWAY UNIFIED SCHOOL DISTRICT
COUNTY OF SAN DIEGO
POWAY, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2013

**Wilkinson Hadley King & Co. LLP
CPA's and Advisors
218 W. Douglas Ave.
El Cajon, California**

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Introductory Section

Poway Unified School District
 Audit Report
 For The Year Ended June 30, 2013

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Financial Section

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Wilkinson Hadley King & Co. LLP

CPA's and Advisors
218 W. Douglas Ave.
El Cajon, California

Independent Auditor's Report

To the Board of Trustees
Poway Unified School District
Poway, California 92064-2098

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Poway Unified School District ("the District") as of and for the year ended June 30, 2013, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Poway Unified School District as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A to the financial statements, in 2013, Poway Unified School District adopted new accounting guidance, Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred outflows of Resources, Deferred Inflows of Resources, and Net Position*. 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 Management's Discussion and Analysis, budgetary comparison information and schedule of funding progress for OPEB benefits identified as Required Supplementary Information in the table of contents 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 Poway Unified School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13*, published by the Education Audit Appeals Panel, and is also not a required part of the basic financial statements.

The combining financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 combining financial statements and other supplementary information and the schedule of expenditures of federal awards are 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 18, 2013 on our consideration of Poway 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 Poway Unified School District's internal control over financial reporting and compliance.

El Cajon, California
November 18, 2013

**Poway Unified School District
Management's Discussion and Analysis
Fiscal Year 2012-13
(Unaudited)**

Profile of the District

Poway Unified School District (District) was formed in 1962 and serves the children of Poway, Bernardo Springs, Santa Luz, Stonebridge, Rancho Bernardo, Rancho Penasquitos, Carmel Mountain Ranch, Sabre Springs, Black Mountain Ranch, Torrey Highlands, 4S Ranch, Del Sur and Santa Fe Valley. It is the 3rd largest district in San Diego County and the 22nd largest district in the state of California. The district covers nearly 100 square miles in north-east San Diego County housing 35,196 students in 37 schools.

Management's Discussion and Analysis

This section of Poway Unified School District's annual financial report presents Management's Discussion and Analysis (MD&A) of the District's financial performance during the year ending June 30, 2013. The MD&A is required as an element of the reporting model established by the Governmental Accounting Standards Board (GASB) in Statement Number 34. The District implemented GASB 34 in 2001-02. The MDA is to be read in conjunction with the District's financial statements, which follow this section.

Comparisons to the Previous Fiscal Year 2011-12

- In 2012-13, the district's Net Position are \$156.7 million compared to \$191.5 million in 2011-12, due to the increase in long-term debt and other and other liabilities.
- In 2012-13, overall revenues were \$340.4 million and expenses were \$375.2 million. The district's expenses exceeded revenue by \$34.8 million. In 2011-12 the district's overall revenues were \$344.3 million and expenses were \$366.3 million. Expenses exceeded revenue by \$22.0 million.
- The District enrollment in October 2012 was 35,196. This is an increase of 627 students from October 2011 when the enrollment was at 34,569.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the assets and liabilities of the District, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the Net Position of the District changed during the most recent fiscal year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The government-wide financial statements can be found on pages 17-18 of this report.

Fund financial statements

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, building fund, state school facilities fund, and the capital projects fund, each of which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual data for each of these non-major funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget on page 57 of this report.

- **Proprietary funds** The District maintains two proprietary fund types; internal service funds and one enterprise fund.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses three internal service funds to account for services provided to all the other funds of the District: workers' compensation, employee benefits, and property and liability insurance. The internal service funds have been included within *governmental activities* in the government-wide financial statements. The three internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

Enterprise funds are operated in a manner similar to private business where the determination of revenues earned, costs incurred and net income is necessary for management accountability. The District uses one enterprise fund to account for business activities of the Extended Student Services and Preschool programs.

The basic proprietary fund financial statements can be found on pages 26-28 of this report.

- **Fiduciary funds** **Fiduciary** funds are used to account for resources held for the benefit of parties outside the governmental entity. The District maintains an agency fund for associated student body funds. Our schools maintain their own Associated Student Body (ASB) funds. They are not included in the district's financial report, but will be a part of the fiduciary fund of the audit report. The basic agency fund financial statements can be found on pages 29-30 of this report.

Notes to the financial statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-56 of this report.

Other information

The combining statements referred to earlier in connection with non-major governmental funds are presented on pages 59-68 of this report.

Government-wide Financial Analysis

As noted earlier, Net Position may serve over time as a useful indicator of a government's stability and financial position. The district's assets exceeded liabilities by \$156.7 million at the close of 2012-13.

**POWAY UNIFIED SCHOOL DISTRICT
2012-13 NET POSITION
(In Millions of Dollars)**

	Governmental Activities 2011-12	Business Activities 2011-12	Total District 2011-12	Governmental Activities 2012-13	Business Activities 2012-13	Total District 2012-13
Current and Other Assets	\$281.5	\$0.4	\$281.9	\$289.9	\$0.6	\$290.5
Capital Assets	\$913.3	\$2.9	\$916.2	\$918.0	\$2.8	\$920.8
Total Assets	\$1,194.8	\$3.3	\$1,198.1	\$1,207.9	\$3.4	\$1,211.3
Long-Term Debt Outstanding	\$988.0	\$0.0	\$988.0	\$1,015.9	\$0.0	\$1,015.9
Other Liabilities	\$18.0	\$0.5	\$18.5	\$38.3	\$0.5	\$38.8
Total Liabilities	\$1,006.0	\$0.5	\$1,006.5	\$1,054.2	\$0.5	\$1,054.7
Net Position:						
Invested in Capital Assets, Net of Related Debt	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Restricted	\$145.4	\$0.0	\$145.4	\$145.2	\$0.0	\$145.2
Unrestricted	\$43.3	\$2.8	\$46.1	\$8.5	\$3.0	\$11.5
Total Net Position	\$188.7	\$2.8	\$191.5	\$153.7	\$3.0	\$156.7

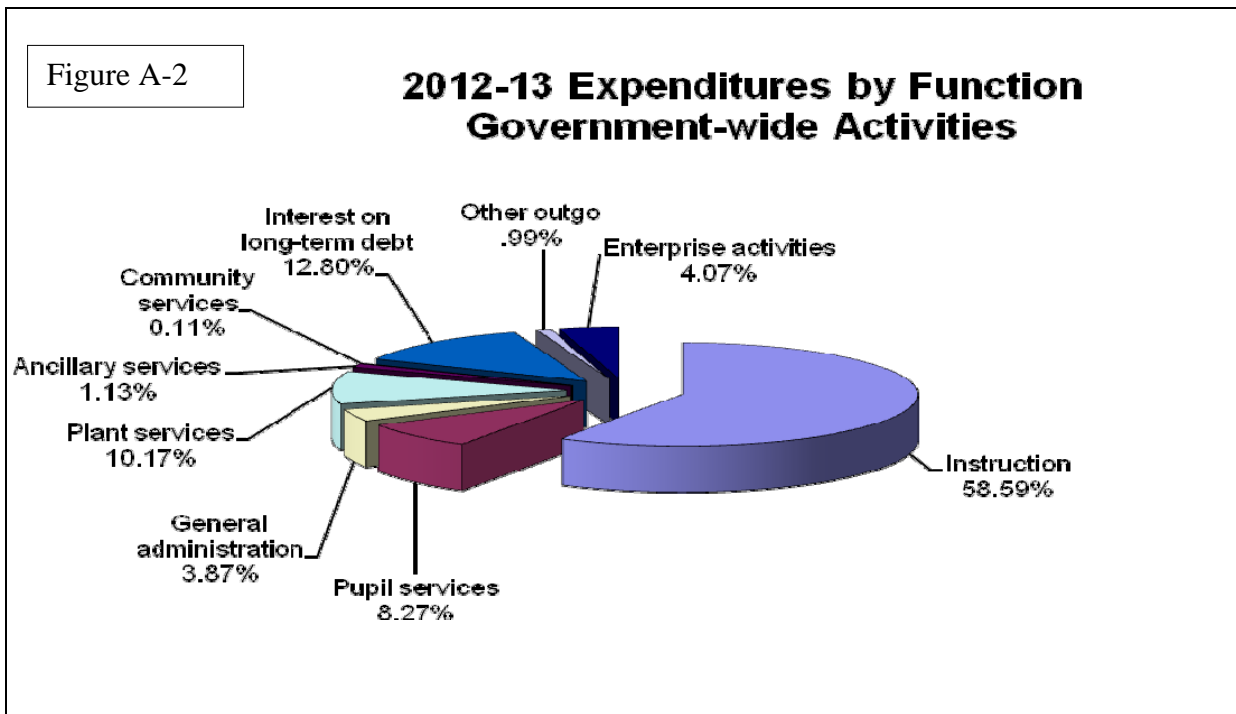
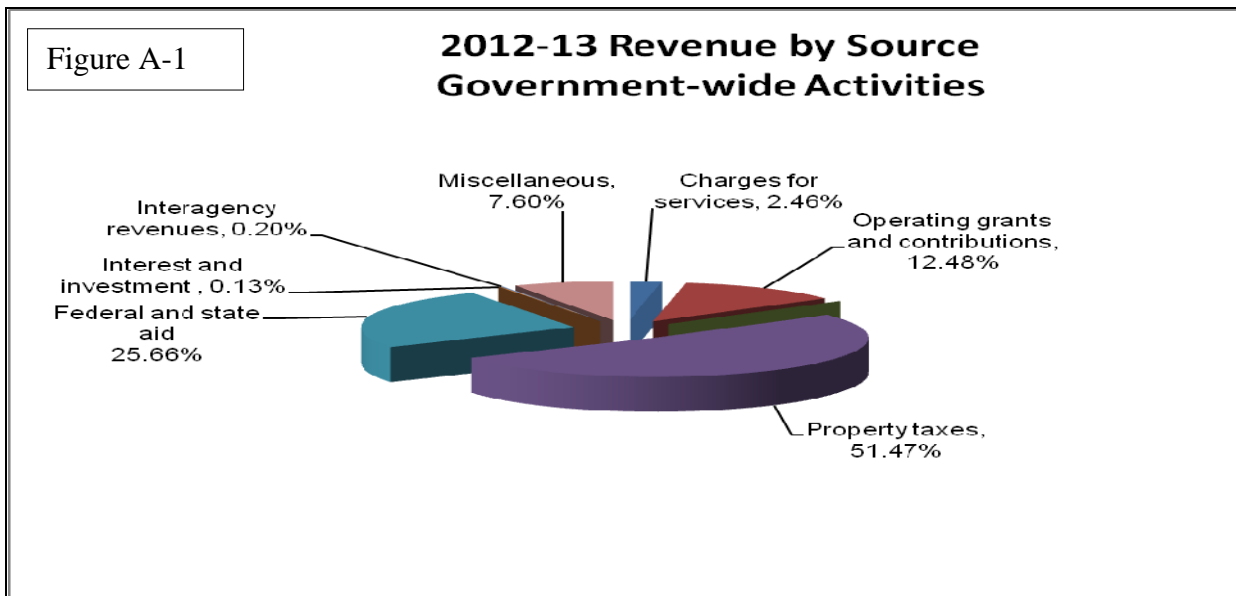
- 92.7 percent of total Net Position represent resources that are subject to external restrictions on how they may be used and 7.3 percent are unrestricted.
- At the end of the 2012-13, the District is able to report positive balances in both categories (Governmental Activities and Business Activities) of Net Position.

Governmental activities. The key elements of the District's Net Position for the year ended June 30, 2013 are as follows:

POWAY UNIFIED SCHOOL DISTRICT
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

	<u>2011-12</u>	<u>% of Total</u>	<u>2012-13</u>	<u>% of Total</u>
<u>Revenues</u>				
Program Revenues				
Charges for services	\$ 9,011,809	2.62%	\$ 8,369,001	2.46%
Operating grants and contributions	43,408,910	12.61%	42,487,233	12.48%
Capital grants and contributions	12,115,370	3.52%	15,359	0.00%
General Revenues				
Property taxes	154,845,005	44.98%	175,143,627	51.46%
Federal and state aid not restricted to specific purposes	99,366,989	28.86%	87,338,038	25.66%
Interest and investment earnings	557,583	0.16%	445,494	0.13%
Interagency revenues	680,470	0.20%	694,990	0.20%
Miscellaneous	24,284,350	7.05%	25,881,335	7.60%
Special and extraordinary items	-	0.00%	-	0.00%
Total Revenues	\$ 344,270,486	100.00%	\$ 340,375,077	100.00%
<u>Expenditures by Function</u>				
Governmental Activities				
Instruction	\$ 207,271,298	56.58%	\$ 219,831,634	58.59%
Pupil services	29,141,741	7.96%	31,047,757	8.27%
General administration	14,513,335	3.96%	14,503,870	3.87%
Plant services	30,663,870	8.37%	38,158,324	10.17%
Ancillary services	4,346,181	1.19%	4,248,859	1.13%
Community services	367,267	0.10%	396,341	0.11%
Enterprise activities	(19,264)	-0.01%	160,491	0.04%
Interest on long-term debt	49,041,915	13.39%	48,023,123	12.80%
Other outgo	16,712,499	4.56%	3,719,407	0.99%
Business-type Activities				
Enterprise activities	14,277,163	3.90%	15,141,713	4.04%
Total Expenditures	\$ 366,316,005	100.00%	\$ 375,231,519	100.00%
Increase (Decrease) in Net Position	\$ (22,045,519)		\$ (34,856,442)	
Net Position - Beginning	\$ 213,561,659		\$ 191,516,140	
Net Position - Ending	\$ 191,516,140		\$ 156,659,698	

- The district's total revenue decreased from \$344.3 million in FY 2011-12 to \$340.4 million in FY 2012-13. The district's total expenditures increased by \$8.9 million in FY 2012-13.



- Expenses related to educating and caring for students (see Figure A-2) is 66.86 percent of the district's total expenditures.

Revenue Limit:

- State aid COLA (Cost of Living Adjustment) in 2012-13 is 3.24 percent which is 1.0 percent more than last year. State aid is based primarily on average daily attendance (ADA) and other appropriations. If a student is in attendance for 180 days, the state awards the District one ADA. The state guarantees that if local taxes do not provide money equal to the base revenue limit guarantee it will make up the difference with state funding.
- The revenue limit per ADA during the year ended June 30, 2013 is \$6,724.31. This is before the deficit factor of 22.272%.

8 YEAR REVENUE LIMIT TABLE				
Year	Poway	% Increase	State Average	Difference
2005-06	\$5,125	4.29%	\$5,195	(\$70)
2006-07	\$5,529	7.87%	\$5,568	(\$39)
2007-08	\$5,781	4.56%	\$5,821	(\$40)
2008-09	\$5,631	-2.59%	\$5,668	(\$37)
2009-10	\$5,202	-7.62%	\$5,235	(\$33)
2010-11	\$5,224	0.42%	\$5,244	(\$20)
2011-12	\$5,170	-1.03%	\$5,189	(\$19)
2012-13	\$5,227	1.10%	\$5,245	(\$18)

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. As the District completed the year, its governmental funds reported a combined fund balance of \$232.1 million, \$11.7 million less than last year's fund balance.

The Governmental Accounting Standard Board (GASB) has issued Statement 54 (GASB 54) that went into effect in fiscal year 2010-11. This statement considerably alters the categories and terminology used to describe the components of the ending fund balance. These changes are intended to enhance how fund balance information is reported by establishing new classifications that are easier to understand. GASB 54 also clarifies the definition of some governmental funds.

Fund balance reporting is unique to governmental fund accounting. It has traditionally been broken into two components, reserved and unreserved. GASB 54 implements a five-tier fund balance classification based on spending constraints on the use of these resources. The components of the district ending fund balance as of June 30, 2013 were reclassified in accordance with GASB 54:

**Poway Unified School District
Governmental Funds
Components of Ending Fund Balance
Reclassified in accordance with GASB Statement 54
June 30, 2013**

a) Non spendable		
Revolving Cash	9711	110,662.06
Stores	9712	670,412.77
Prepaid Expenditures	9713	1,486,762.77
All Others	9719	0.00
b) Restricted	9740	185,822,462.67
c) Committed		
Stabilization Arrangements	9750	0.00
Other Commitments	9760	146,192.91
d) Assigned		
Other Assignments	9780	35,423,043.05
d) Unassigned		
Reserve for Economic Uncertainties	9789	7,715,384.52
Unassigned/Unappropriated	9790	745,486.40

General Fund Budgetary Highlights

During the year, the Board approved revisions that were made to the District's budget. Budget amendments were to reflect changes in programs and related funding.

- During the year, final budgeted revenues exceeded original budgetary estimates by \$3.6 million or 1.3 % to account for increases in federal and state aid and local donations.
- The difference between the original budget and the final amended budget was an increase of \$9.3 million or 3.5 % in total general fund expenditures budget.
- Variance between budget and actuals is primarily a result from expenditure-driven federal, state grants and local donations that are included in the budgets at their full amounts. Such grants are recognized as revenue. When the qualifying expenditures have been incurred and all other grant requirements have been met; unspent grant amounts are carried forward and included in the succeeding year's budget. Therefore, actual grant revenues and expenditures are normally less than the amounts budgeted.
- The following table is presented to show General Fund actuals by Standardized Account Code Structure (SACS) functions and changes from fiscal year 2011-12 to 2012-13.

**POWAY UNIFIED SCHOOL DISTRICT
GENERAL FUND - MAJOR FUND**

Expenditures by Function	2011-12	2012-13		Change	
		Amount	%	Amount	%
General Education Grades K-12	\$119,097,122	\$126,908,309	47.41%	\$7,811,187	6.6%
Special Education	41,161,387	44,753,880	16.72%	3,592,493	8.7%
Instruction Related Services	10,186,851	10,586,427	3.95%	399,576	3.9%
School Administration	15,322,461	15,959,887	5.96%	637,426	4.2%
Pupil Services	10,887,542	11,572,632	4.32%	685,090	6.3%
Transportation	8,221,238	10,920,855	4.08%	2,699,617	32.8%
Ancillary, Co-curricular & Athletics	4,285,500	4,167,564	1.56%	(117,936)	-2.8%
Community Services	359,357	388,119	0.14%	28,762	8.0%
General Administration	8,180,182	8,370,965	3.13%	190,783	2.3%
Central Data Processing	4,780,858	4,737,039	1.77%	(43,819)	-0.9%
Maintenance & Operations	24,252,359	25,316,872	9.46%	1,064,513	4.4%
Facility Acquisition & Construction	0	0	0.00%	0	0.0%
Facility Rents and Leases	109,265	152,531	0.06%	43,266	39.6%
Other Outgo	6,306,886	3,872,654	1.45%	(2,434,232)	38.6%
Total	\$253,151,008	\$267,707,734	100.00%	\$14,556,726	
Final October CBEDS Enrollment	34,569	35,196		627	
Expenditures per Student =	\$7,323.06	\$7,606.20		\$283.13	3.9%

Note: Expenses for Cafeteria, Adult Ed., Construction, Preschool and Child Care Services are recorded in separate funds. They are not included in the above figures.

- The expenditure per student went up 3.9 % from \$7,323.06 to \$7,606.20.

Capital Asset and Debt Administration

Capital Assets. The state school facility fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District. Renovation and modernization of 24 older schools funded from the proceeds of the General Obligation Bond were completed in 2011.

Capital assets as of June 30, 2012 and June 30, 2013 are outlined below:

POWAY UNIFIED SCHOOL DISTRICT			
CAPITAL ASSETS NET OF DEPRECIATION			
Governmental Activities			
	<i>June 30, 2012</i>	<i>June 30, 2013</i>	<i>Total Change</i>
Land	\$75,636,954	\$86,641,068	\$11,004,114
Improvement of Sites	25,731,237	23,990,891	(1,740,346)
Buildings	791,290,298	774,833,663	(16,456,635)
Equipment	7,787,869	9,123,215	1,335,346
Work in Progress	12,827,846	23,381,091	10,553,245
<i>Total Capital Assets</i>	<i>\$913,274,204</i>	<i>\$917,969,928</i>	<i>\$4,695,724</i>

Additional information on the District's capital assets can be found in Note E to the basic financial statements.

Debt Administration. The voters of School Facilities Improvement District (SFID) approved Proposition U for \$198 million and Proposition C for \$179 million specifically for the purpose of renovating 24 of the District's older schools.

- Under the Proposition U the district issued three General Obligation Bonds, the \$75 million General Obligation Bonds, Series A which was refunded in 2011-12 at \$53.3 million, the \$119.3 million General Obligation Bonds, Series B and the General Obligation Bonds, Series C for \$3.7 million.
- Prop C has General Obligation Bonds Series A for \$74 million and the \$105 million General Obligation Bonds, Series B which was issued in 2011-12.

**Poway Unified School District
School Facilities Improvement District - GO Bonds
June 30, 2013**

Issue Name	Date of Issuance	Issuance Cost	Principal Balance
General Obligation Refunding Bonds, Election of 2002, Series A	11/2/2011	\$53,285,000.00	\$51,075,000.00
General Obligation Bonds, Election of 2002, Series B	11/2/2006	\$119,300,766.00	\$113,890,766.00
General Obligation Bonds, Election of 2002, Series B - Accreted Interest	11/2/2006	n/a	\$1,732,399.00
General Obligation Bonds, Election of 2002, Series C	1/27/2009	\$3,698,553.90	\$3,698,553.90
General Obligation Bonds, Election of 2002, Series C - Accreted Interest	1/27/2009	n/a	\$753,717.00
General Obligation Bonds, Election of 2008, Series A	1/27/2009	\$73,998,935.70	\$73,998,935.70
General Obligation Bonds, Election of 2008, Series A - Accreted Interest	1/27/2009	n/a	\$22,691,463.30
General Obligation Bonds, Election of 2008, Series B	8/1/2011	\$105,000,149.70	\$105,000,149.70
General Obligation Bonds, Election of 2008, Series B - Accreted Interest	8/1/2011	n/a	\$15,572,031.35

- In 2012-13, the district issued Restructuring Lease Revenue Bonds for \$57.3 million to refund Lease Revenue Bonds 2007. The outstanding Lease Revenue Bonds including accreted interest is an obligation of Community Facilities District (CFD).

**Poway Unified School District
Lease Revenue Bonds
June 30, 2013**

Issue Name	Date of Issuance	Issuance Cost	Principal Balance
Lease Revenue Bonds 2007	8/29/2007	\$34,783,991.00	\$0.00
Lease Revenue Bonds 2007 - Accreted Interest		n/a	\$0.00
Lease Revenue Bonds 2008, Tranche A & B	6/19/2008	\$68,351,499.00	\$5,228,869.00
Lease Revenue Bonds 2008, Tranche A & B - Accreted Interest		n/a	\$1,225,740.80
2012 Restructuring Lease Revenue Bonds	9/4/2012	\$57,300,000.00	\$57,300,000.00

IRS Audit Status on the following bond issuance:

- 1) Lease Revenue Bonds 2008 – No change. File closed on October 18, 2013.
- 2) General Obligation Bonds, Election of 2008, Series B – No change. File closed on October 18, 2013.

The District has formed various Community Facilities Districts to secure school facilities for students that will be generated from new housing developments. There are twenty outstanding special tax bonds under the Community Facilities Districts (CFD) as of June 30, 2013. These bonds are not obligations of the general fund of the District and are secured by taxes generated by home owners and developers. They are considered liabilities of the individual CFD's and not considered liabilities of the district.

**Poway Unified School District
Community Facilities District - Special Tax Bonds
June 30, 2013**

Issue Name	CFD	Date of Issuance	Issuance Cost	Principal Balance
Series 2003 Refunding Bonds	CFD 1	2/13/2003	\$2,820,000.00	\$2,590,000.00
Special Tax Bonds, Series 2003	Public Financing Authority	3/20/2003	\$21,335,000.00	\$17,845,000.00
Special Tax Bonds, Series 2005	CFD 11, Improvement Area B	6/16/2005	\$9,035,000.00	\$8,565,000.00
Special Tax Bonds, Series 2005	CFD 11, Improvement Area C	6/16/2005	\$13,475,000.00	\$12,925,000.00
Special Tax Bonds, Series 2005	CFD 6 (4S Ranch)	11/22/2005	\$44,305,000.00	\$42,790,000.00
Special Tax Bonds, Series 2005	CFD 6, Improvement Area B	11/22/2005	\$30,000,000.00	\$28,875,000.00
Special Tax Bonds, Series 2006	CFD 14 (Del Sur)	6/22/2006	\$51,515,000.00	\$50,030,000.00
Special Tax Bonds, Series 2006	CFD 14, (Del Sur) Impv Area A	6/22/2006	\$51,495,000.00	\$50,200,000.00
Special Tax Bonds, Series 2007	Public Financing Authority	6/20/2007	\$69,945,000.00	\$68,410,000.00
Special Tax Bonds, Series 2007	CFD 6 (4S Ranch)	7/26/2007	\$37,910,000.00	\$36,585,000.00
Special Tax Refunding Bonds, Series 2008	CFD 1	3/26/2008	\$48,420,000.00	\$26,715,000.00
Special Tax Bonds, Series 2010	CFD 6 (4S Ranch)	10/27/2010	\$5,775,000.00	\$4,870,000.00
Special Tax Bonds, Series 2011	CFD 10, Improvement Area F	11/10/2011	\$1,695,000.00	\$1,695,000.00
Special Tax Refunding Bonds, Series 2011	CFD 6, Impv Area A & CFD 10, Impv Area A & B	11/3/2011	\$34,615,000.00	\$33,640,000.00
Special Tax Bonds, Series 2012	CFD 6 (4S Ranch)	6/7/2012	\$38,940,000.00	\$38,910,000.00
Special Tax Bonds, Series 2009	CFD 11, Zone 2	6/29/2009	\$3,030,000.00	\$3,030,000.00
Special Tax Bonds, Series 2009	CFD 11, Zone 3	6/29/2009	\$2,275,000.00	\$2,275,000.00
Special Tax Bonds, Series 2012	CFD 6, Improvement Area C	9/20/2012	\$9,470,000.00	\$9,415,000.00
Special Tax Refunding Bonds, Series 2013A	Public Financing Authority	1/30/2013	\$37,785,000.00	\$37,785,000.00
Special Tax Bonds, Series 2013B	Public Financing Authority	5/22/2013	\$17,795,000.00	\$17,795,000.00

Additional information on the District's long-term debt can be found in Note I to the basic financial statement which is found on page 43 of the audit report.

Changing Enrollment within the District

The demographics of the District reflect a decreasing trend in the middle school population and an increasing trend in the elementary and high school population. Experience shows that the east side of the District is nearly built out and the west and south areas are busy with developments and new families. California voters approved Proposition 13 that not only limits the tax rate on property, but gives an incentive for owners to occupy longer resulting in slower turnover of homes to new families. This impacts the east side with declining enrollment. The District however has offsetting growth on the west side.

POWAY UNIFIED SCHOOL DISTRICT
Changes in CBEDS for Three Years

<u>Grade</u>	<u>Oct 2010</u>	<u>Chg</u>	<u>Oct 2011</u>	<u>Chg</u>	<u>Oct 2012</u>
K	2,845	36	2,881	65	2,946
1	2,485	122	2,607	71	2,678
2	2,549	(13)	2,536	151	2,687
3	2,510	80	2,590	35	2,625
4	2,455	121	2,576	88	2,664
5	2,504	23	2,527	115	2,642
6	2,619	(27)	2,592	12	2,604
7	2,660	(5)	2,655	(21)	2,634
8	2,553	160	2,713	(31)	2,682
9	2,733	(84)	2,649	139	2,788
10	2,706	46	2,752	(77)	2,675
11	2,653	39	2,692	80	2,772
12	2,863	(64)	2,799	0	2,799
TOTAL	<u>34,135</u>	<u>434</u>	<u>34,569</u>	<u>627</u>	<u>35,196</u>
	<u>2010-11</u>	<u>Chg</u>	<u>2011-12</u>	<u>Chg</u>	<u>2012-13</u>
Elementary K-5	15,348	369	15,717	525	16,242
Middle 6-8	7,832	128	7,960	(40)	7,920
High School 9-12	10,955	(63)	10,892	142	11,034
TOTAL	<u>34,135</u>	<u>434</u>	<u>34,569</u>	<u>627</u>	<u>35,196</u>

Requests for Information

This financial report is designed to provide a general overview of the Poway Unified School District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Associate Superintendent, Business Support Services, Poway Unified School District, 15250 Avenue of Science, San Diego, CA 92128.

Basic Financial Statements

POWAY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 246,763,413	\$ 859,097	\$ 247,622,510
Receivables	24,782,886	259,780	25,042,666
Due from (to) Other Funds	520,719	(520,719)	-
Stores	670,413	-	670,413
Prepaid Expenses	1,486,763	-	1,486,763
Prepaid Debt Issue Costs	15,720,144	-	15,720,144
Capital Assets:			
Land	86,641,068	-	86,641,068
Land Improvements	45,929,061	-	45,929,061
Buildings	932,127,474	4,767,384	936,894,858
Equipment	37,223,129	8,170	37,231,299
Work in Progress	23,381,091	-	23,381,091
Less Accumulated Depreciation	(207,331,898)	(1,968,094)	(209,299,992)
Total Assets	<u>1,207,914,263</u>	<u>3,405,618</u>	<u>1,211,319,881</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	26,305,328	372,497	26,677,825
Current Loans	11,855,000	-	11,855,000
Unearned Revenue	141,076	74,105	215,181
Long-Term Liabilities:			
Due Within One Year	24,144,705	-	24,144,705
Due in More Than One Year	991,767,471	-	991,767,471
Total Liabilities	<u>1,054,213,580</u>	<u>446,602</u>	<u>1,054,660,182</u>
NET POSITION			
Net Investment in Capital Assets	-	-	-
Restricted for:			
Capital Projects	3,916,787	-	3,916,787
Debt Service	50,626,626	-	50,626,626
Educational Programs	39,020,919	-	39,020,919
Other Purposes (Expendable)	49,407,641	-	49,407,641
Other Purposes (Nonexpendable)	2,267,838	-	2,267,838
Unrestricted	8,460,872	2,959,016	11,419,888
Total Net Position	<u>\$ 153,700,683</u>	<u>\$ 2,959,016</u>	<u>\$ 156,659,699</u>

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Governmental Activities:							
Instruction	\$ 187,965,112	\$ 410	\$ 27,221,535	\$ 15,359	\$ (160,727,808)	\$	\$ (160,727,808)
Instruction-Related Services:							
Instructional Supervision and Administration	7,764,392	9,790	1,806,012	-	(5,948,590)		(5,948,590)
Instructional Library, Media and Technology	5,808,235	-	12,064	-	(5,796,171)		(5,796,171)
School Site Administration	18,293,895	-	72,514	-	(18,221,381)		(18,221,381)
Pupil Services:							
Home-to-School Transportation	9,368,554	1,025,489	1,931,131	-	(6,411,934)		(6,411,934)
Food Services	10,062,516	5,461,236	2,717,672	-	(1,883,608)		(1,883,608)
All Other Pupil Services	11,616,687	522	919,013	-	(10,697,152)		(10,697,152)
General Administration:							
Centralized Data Processing	5,111,703	-	-	-	(5,111,703)		(5,111,703)
All Other General Administration	9,392,167	162,150	927,784	-	(8,302,233)		(8,302,233)
Plant Services	38,158,324	222,090	600,348	-	(37,335,886)		(37,335,886)
Ancillary Services	4,248,859	7,908	231,886	-	(4,009,065)		(4,009,065)
Community Services	396,341	13	50	-	(396,278)		(396,278)
Enterprise Activities	160,491	-	-	-	(160,491)		(160,491)
Interest on Long-Term Debt	48,023,123	-	-	-	(48,023,123)		(48,023,123)
Other Outgo	3,719,407	1,479,393	6,047,224	-	3,807,210		3,807,210
Business-Type Activities							
Enterprise Activities, Child Development Program	15,141,713	-	-	-		(15,141,713)	(15,141,713)
Total Expenses	\$ 375,231,519	\$ 8,369,001	\$ 42,487,233	\$ 15,359	\$ (309,218,213)	\$ (15,141,713)	\$ (324,359,926)
General Revenues:							
Taxes and Subventions:							
Taxes Levied for General Purposes					120,760,333	-	120,760,333
Taxes Levied for Debt Service					11,778,563	-	11,778,563
Taxes Levied for Other Specific Purposes					42,604,731	-	42,604,731
Federal and State Aid Not Restricted to Specific Purposes					87,338,038	-	87,338,038
Interest and Investment Earnings					442,151	3,343	445,494
Interagency Revenues					694,990	-	694,990
Miscellaneous					10,541,491	15,339,844	25,881,335
Internal Transfers					50,217	(50,217)	-
Total General Revenues and Transfers					\$ 274,210,514	\$ 15,292,970	\$ 289,503,484
Change in Net Position					(35,007,699)	151,257	(34,856,442)
Net Position Beginning					188,708,382	2,807,759	191,516,141
Net Position Ending					\$ 153,700,683	\$ 2,959,016	\$ 156,659,699

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2013

	General Fund	Capital Project Fund For Blended Component Units
	<u> </u>	<u> </u>
ASSETS:		
Cash in County Treasury	\$ 46,762,919	\$ -
Cash on Hand and in Banks	435,364	-
Cash in Revolving Fund	107,972	-
Cash with a Fiscal Agent/Trustee	549	167,070,139
Accounts Receivable	24,001,115	357
Due from Other Funds	1,480,628	-
Stores Inventories	330,846	-
Prepaid Expenditures	1,486,763	-
Total Assets	<u>74,606,156</u>	<u>167,070,496</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ 13,576,161	\$ -
Due to Other Funds	1,655,375	-
Tax Revenue Anticipation Notes	11,855,000	-
Unearned Revenue	269,657	-
Total Liabilities	<u>27,356,193</u>	<u>-</u>
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	107,972	-
Stores Inventories	330,846	-
Prepaid Items	1,486,763	-
Restricted Fund Balances:		
Educational Programs	4,228,192	-
Nutrition Programs	-	-
Capital Projects	-	167,070,496
Debt Service	-	-
Committed Fund Balances		
Adult Education	-	-
Deferred Maintenance	-	-
Assigned Fund Balances		
Educational Programs	32,635,320	-
Capital Projects	-	-
Unassigned:		
Reserve for Economic Uncertainty	7,715,385	-
Other Unassigned	745,485	-
Total Fund Balance	<u>47,249,963</u>	<u>167,070,496</u>
 Total Liabilities and Fund Balances	 <u>\$ 74,606,156</u>	 <u>\$ 167,070,496</u>

EXHIBIT A-3

Blended Component Unit	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 17,386,613	\$ 64,149,532
-	686,369	1,121,733
-	2,690	110,662
-	15,107	167,085,795
-	706,773	24,708,245
-	16,466	1,497,094
-	339,567	670,413
-	-	1,486,763
<u>-</u>	<u>19,153,585</u>	<u>260,830,237</u>
<u>-</u>		
\$ -	\$ 596,206	\$ 14,172,367
-	663,737	2,319,112
-	-	11,855,000
-	93,696	363,353
<u>-</u>	<u>1,353,639</u>	<u>28,709,832</u>
<u>-</u>		
-	2,690	110,662
-	339,567	670,413
-	-	1,486,763
-	13,573	4,241,765
-	2,057,777	2,057,777
-	1,068,929	168,139,425
-	11,383,495	11,383,495
-	86,057	86,057
-	60,135	60,135
-	-	32,635,320
-	2,787,723	2,787,723
-	-	7,715,385
-	-	745,485
<u>-</u>	<u>17,799,946</u>	<u>232,120,405</u>
<u>-</u>		
\$ -	\$ 19,153,585	\$ 260,830,237

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POWAY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total fund balances - governmental funds balance sheet \$ 232,120,407

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

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

Capital assets relating to governmental activities, at historical cost	1,125,272,127	
Accumulated depreciation	(207,302,202)	
	Net	917,969,925

Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in prepaid expense on the statement of net position are: 15,720,144

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unamatured interest owing at the end of the period was: (11,336,790)

Deferred recognition of earned but unavailable revenues: In governmental funds, revenue is recognized only to the extent that it is "available", meaning it will be collected soon enough after the end of the period to finance expenditures of that period. Receivables for revenues that are earned but unavailable are deferred until the period in which the revenues become available. In the government-wide statements, revenue is recognized when earned, regardless of availability. The amount of unavailable revenues that were deferred as a liability in governmental funds, but are recognized in the government-wide statements, is: 222,276

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

General obligation bonds payable	388,413,016	
Net OPEB obligation	19,063,220	
Compensated absences payable	4,487,183	
Capital leases payable	1,755,603	
Lease revenue bonds payable	63,754,610	
Other general long-term debt	538,438,544	
	Total	(1,015,912,176)

Internal service funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net assets for internal service funds are: 14,916,899

Net position of governmental activities - statement of net position \$ 153,700,685

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Capital Project Fund For Blended Component Units
	<u> </u>	<u> </u>
Revenues:		
Revenue Limit Sources:		
State Apportionments	\$ 60,435,164	\$ -
Local Sources	121,113,981	-
Federal Revenue	9,307,364	-
Other State Revenue	50,286,679	-
Other Local Revenue	15,615,018	46,202,433
Total Revenues	<u>256,758,206</u>	<u>46,202,433</u>
Expenditures:		
Instruction	171,662,189	-
Instruction - Related Services	26,546,314	-
Pupil Services	22,493,488	-
Ancillary Services	4,167,564	-
Community Services	388,119	-
General Administration	13,108,003	-
Plant Services	25,469,403	34,088,980
Other Outgo	713,913	-
Debt Service:		
Debt Issuance Costs	191,239	2,112,329
Principal	530,140	-
Interest	44,506	-
Total Expenditures	<u>265,314,878</u>	<u>36,201,309</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,556,672)</u>	<u>10,001,124</u>
Other Financing Sources (Uses):		
Transfers In	1,458,298	47,162,484
Transfers Out	(2,392,856)	(181,651,425)
Proceeds From Sale of Bonds	-	122,350,000
Other Sources	-	3,796,851
Other Uses	-	(7,767)
Total Other Financing Sources (Uses)	<u>(934,558)</u>	<u>(8,349,857)</u>
Net Change in Fund Balance	(9,491,230)	1,651,267
Fund Balance, July 1	56,741,193	165,419,229
Fund Balance, June 30	<u>\$ 47,249,963</u>	<u>\$ 167,070,496</u>

The accompanying notes are an integral part of this statement.

Blended Component Unit	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 60,435,164
-	-	121,113,981
-	2,882,606	12,189,970
-	512,946	50,799,625
-	18,691,778	80,509,229
<u>-</u>	<u>22,087,330</u>	<u>325,047,969</u>
-	963,569	172,625,758
-	480,245	27,026,559
-	8,819,353	31,312,841
-	-	4,167,564
-	-	388,119
-	366,367	13,474,370
-	3,748,208	63,306,591
-	-	713,913
-	-	2,303,568
109,170,000	3,485,000	113,185,140
24,735,831	7,965,425	32,745,762
<u>133,905,831</u>	<u>25,828,167</u>	<u>461,250,185</u>
<u>(133,905,831)</u>	<u>(3,740,837)</u>	<u>(136,202,216)</u>
133,905,831	388,880	182,915,493
-	(473,307)	(184,517,588)
-	-	122,350,000
-	-	3,796,851
-	-	(7,767)
<u>133,905,831</u>	<u>(84,427)</u>	<u>124,536,989</u>
-	(3,825,264)	(11,665,227)
-	21,625,210	243,785,632
<u>\$ -</u>	<u>\$ 17,799,946</u>	<u>\$ 232,120,405</u>

POWAY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds \$ (11,665,225)

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

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

Expenditures for capital outlay	29,090,397	
Depreciation expense	<u>(24,394,674)</u>	
Net		4,695,723

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 113,185,140

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were: (126,143,184)

Debt issue costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:

Issue costs incurred during the period	2,112,329	
Issue costs amortized for the period	<u>(2,810,156)</u>	
Net		(697,827)

Earned but unavailable revenues: In governmental funds, revenues are recognized only to the extent that they are "available", meaning they will be collected soon enough after the end of the period to finance expenditures of that period. In the government-wide statements, revenue is recognized when earned, regardless of availability. The amount of earned but unavailable revenues relating to the current period, less revenues that became available in the current period but related to a prior period, is: (16,080)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: (511,184)

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was: 106,059

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (3,374,917)

Other liabilities not normally liquidated with current financial resources: In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations was: 2,521,261

Amortization of debt issue premium or discount: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is: (14,766,177)

Internal Service Funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental for the statement of activities. The net increase or decrease in internal service funds was: 1,658,711

Change in net position of governmental activities - statement of activities \$ (35,007,700)

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2013

	Nonmajor Enterprise Fund	Nonmajor Internal Service Fund
	Enterprise Fund	Self-Insurance Fund
ASSETS:		
Current Assets:		
Cash in County Treasury	\$ 596,670	\$ 13,818,280
Cash on Hand and in Banks	262,427	316,696
Cash with a Fiscal Agent/Trustee	-	160,711
Accounts Receivable	259,780	74,631
Due from Other Funds	35,519	1,843,638
Total Current Assets	<u>1,154,396</u>	<u>16,213,956</u>
Noncurrent Assets:		
Fixed Assets-		
Buildings and Improvements	4,767,384	-
Accumulated Depreciation - Buildings	(1,959,925)	-
Equipment	8,170	29,696
Accumulated Depreciation - Equipment	(8,170)	(29,696)
Total Noncurrent Assets	<u>2,807,459</u>	<u>-</u>
Total Assets	<u>3,961,855</u>	<u>16,213,956</u>
LIABILITIES:		
Current Liabilities:		
Accounts Payable	\$ 372,497	\$ 796,167
Due to Other Funds	556,237	500,891
Unearned Revenue	74,105	-
Total Current Liabilities	<u>1,002,839</u>	<u>1,297,058</u>
Total Liabilities	<u>1,002,839</u>	<u>1,297,058</u>
NET POSITION:		
Unrestricted (Deficit)	2,959,016	14,916,898
Total Net Position	<u>\$ 2,959,016</u>	<u>\$ 14,916,898</u>

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Nonmajor Enterprise Fund	Nonmajor Internal Service Fund
	Enterprise Fund	Self-Insurance Fund
Operating Revenues:		
Local Revenue	\$ 15,343,188	\$ 9,564,902
Total Revenues	<u>15,343,188</u>	<u>9,564,902</u>
Operating Expenses:		
Certificated Personnel Salaries	1,605,011	-
Classified Personnel Salaries	7,649,317	197,895
Employee Benefits	3,067,988	91,731
Books and Supplies	578,937	34,095
Services and Other Operating Expenses	2,133,935	9,234,782
Capital Outlay	106,525	-
Total Expenses	<u>15,141,713</u>	<u>9,558,503</u>
Income (Loss) before Contributions and Transfers	201,475	6,399
Interfund Transfers In	-	1,652,312
Interfund Transfers Out	(50,217)	-
Change in Net Position	<u>151,258</u>	<u>1,658,711</u>
Total Net Position - Beginning	2,807,758	13,258,187
Total Net Position - Ending	<u>\$ 2,959,016</u>	<u>\$ 14,916,898</u>

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	Major Enterprise Fund	Nonmajor Internal Service Fund
	Enterprise Fund	Self-Insurance Fund
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 15,350,491	\$ 11,638,168
Cash Payments to Employees for Services	(12,371,950)	(760,905)
Cash Payments to Other Suppliers for Goods and Services	(2,773,827)	(8,577,851)
Net Cash Provided (Used) by Operating Activities	<u>204,714</u>	<u>2,299,412</u>
Cash Flows from Investing Activities:		
Interest and Dividends on Investments	<u>3,302</u>	<u>43,752</u>
Net Cash Provided (Used) for Investing Activities	<u>3,302</u>	<u>43,752</u>
Net Increase (Decrease) in Cash and Cash Equivalents	208,016	2,343,164
Cash and Cash Equivalents at Beginning of Year	651,081	11,952,524
Cash and Cash Equivalents at End of Year	<u>\$ 859,097</u>	<u>\$ 14,295,688</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 151,258	\$ 1,658,711
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	106,525	-
Change in Assets and Liabilities:		
Decrease (Increase) in Receivables	58,602	149,678
Decrease (Increase) in Due From	(27,502)	315,029
Increase (Decrease) in Accounts Payable	(57,740)	31,149
Increase (Decrease) in Due To	(2,633)	188,597
Increase (Decrease) in Unearned Revenue	(20,495)	-
Total Adjustments	<u>56,757</u>	<u>684,453</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 208,015</u>	<u>\$ 2,343,164</u>

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2013

	Private-purpose Trust Fund	Agency Fund
	Foundation Private-Purpose Trust Fund	Student Body Fund
ASSETS:		
Cash in County Treasury	\$ 567,878	\$ -
Cash on Hand and in Banks	-	1,691,343
Accounts Receivable	466	8,873
Store Inventories	-	62,570
Total Assets	<u>568,344</u>	<u>1,823,596</u>
LIABILITIES:		
Accounts Payable	\$ 518	\$ 908,885
Due to Other Funds	12	-
Due to Student Groups	-	914,711
Total Liabilities	<u>530</u>	<u>1,823,596</u>
NET POSITION:		
Held in Trust	567,814	-
Total Net Position	<u>\$ 567,814</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	Private-purpose Trust Fund
	Foundation Private-Purpose Trust Fund
Additions:	
Investment Income	\$ 2,234
Other Local Revenue	5,837
Total Additions	<u>8,071</u>
Deductions:	
Certificated Salaries	3,010
Employee Benefits	408
Books & Supplies	9,881
Services & Other Operating Expenses	105,900
Total Deductions	<u>119,199</u>
Change in Net Assets	(111,128)
Net Assets-Beginning of the Year	678,942
Net Assets-End of the Year	<u>\$ 567,814</u>

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

A. Summary of Significant Accounting Policies

Poway Unified School District (District) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's "California School Accounting Manual". The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting Entity

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

The District also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District, its component units or its constituents; and 2) The District or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the District.

Based on these criteria, the District has two component units, the Community Facilities Districts (CFD) and the Public Financing Authority. In addition, the District is not a component unit of any other reporting entity as defined by the GASB statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

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

Debt Service Fund for Blended Component Units. This fund is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the LEA under generally accepted accounting principles (GAAP).

The District reports the following major enterprise funds:

Enterprise Fund. This fund is used to account for the revenues and expenses associated with the District's Extended Student Services program which operates pre-schools and before/after school programs throughout the District.

In addition, the District reports the following fund types:

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

Capital Projects Funds. Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Debt Service Funds. Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen to apply future FASB standards.

3. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

4. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized. For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

In accordance with Education Code Section 41001, the District maintains substantially all its cash in the San Diego County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with San Diego County Treasury was not available.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

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 expenditure when incurred.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	45
Building Improvements	20
Vehicles	5-15
Office Equipment	5-15
Computer Equipment	5-15

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

d. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year end.

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

e. 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 occurrence 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 combined balance sheet and revenue is recognized.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the District.

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose 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.

i. Minimum Fund Balance Policy

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce the service levels because of temporary revenue shortfalls or unpredicted expenses. The District's minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts equal to 2% of the general fund operating expenses and other financing uses.

j. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

k. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement Number 54, Fund 17 (Special Reserve Fund for Other Than Capital Outlay) is combined with the General Fund for purposes of presentation in the audit report.

l. GASB 63 Implementation

The District has implemented GASB Statement Number 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The purpose of this pronouncement is to improve financial reporting by standardizing the presentation of deferred inflows and outflows of resources and their effects on a government's net position. Transactions that result in consumption or acquisition of net assets in one period that are applicable to future periods as deferred outflows and inflows of resources which are distinguished from assets and liabilities. Net position is the difference between 1) assets and deferred outflows of resources; and 2) liabilities and deferred inflows of resources. For the year ended June 30, 2013 the District did not have any items which would be considered deferred outflows and inflows of resources.

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$79,132,364 as of June 30, 2013). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$79,057,136. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

2. Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks (\$3,509,878 as of June 30, 2013) and in the revolving fund (\$105,972) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Investments:

The District's investments at June 30, 2013 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Money Market Accounts	<30 Days	\$ 167,245,534
County Treasury Investment Pool	393 Days	79,132,364
Total Investments		<u>\$ 246,377,898</u>

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

4. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The San Diego County Investment Pool is rated AA+ by Standard & Poors.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains an investment with the San Diego Investment Pool with a fair value of \$79,057,136 and a book value of \$79,132,364. The weighted average days to maturity for this investment pool is 393 days.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

5. Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

D. Accounts Receivable

There are no significant receivables which are not scheduled for collection within one year of year end. Accounts receivable balances as of June 30, 2013 consist of:

	General Fund	Capital Project Fund For Blended Component Units	Debt Service Fund For Blended Component Units	Other Non-Major Governmental Funds	Total Governmental Funds
Federal Government:					
Federal Programs	\$ 3,422,510	\$ -	\$ -	\$ 508,662	\$ 3,931,172
State Government:					
Revenue Limit	11,615,975	-	-	-	11,615,975
Lottery	2,789,278	-	-	-	2,789,278
Other State Programs	4,979,748	-	-	82,958	5,062,706
Local Sources:					
Interest	24,999	-	-	4,843	29,842
Other Local Sources	1,168,605	357	-	110,308	1,279,270
Total	<u>\$ 24,001,115</u>	<u>\$ 357</u>	<u>\$ -</u>	<u>\$ 706,771</u>	<u>\$ 24,708,243</u>
	Enterprise Fund	Self Insurance Fund	Foundation Private-Purpose Fund	Student Body Fund	Total Other Funds
Local Sources:					
Interest	\$ 810	\$ 10,096	\$ 466	\$ 8,873	\$ 20,245
Other Local Sources	258,970	64,535	-	-	323,505
Total	<u>\$ 259,780</u>	<u>\$ 74,631</u>	<u>\$ 466</u>	<u>\$ 8,873</u>	<u>\$ 343,750</u>

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

E. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 75,636,954	\$ 11,004,114	\$ -	\$ 86,641,068
Work in progress	12,827,845	15,090,284	4,537,039	23,381,090
Total capital assets not being depreciated	<u>88,464,799</u>	<u>26,094,398</u>	<u>4,537,039</u>	<u>110,022,158</u>
Capital assets being depreciated:				
Buildings	927,649,006	4,478,469	-	932,127,475
Improvements	45,870,491	58,570	-	45,929,061
Equipment	34,235,363	2,995,999	8,233	37,223,129
Total capital assets being depreciated	<u>1,007,754,860</u>	<u>7,533,038</u>	<u>8,233</u>	<u>1,015,279,665</u>
Less accumulated depreciation for:				
Buildings	(136,358,708)	(20,935,104)	-	(157,293,812)
Improvements	(20,139,255)	(1,798,916)	-	(21,938,171)
Equipment	(26,447,494)	(1,660,653)	(8,233)	(28,099,914)
Total accumulated depreciation	<u>(182,945,457)</u>	<u>(24,394,673)</u>	<u>(8,233)</u>	<u>(207,331,897)</u>
Total capital assets being depreciated, net	<u>824,809,403</u>	<u>(16,861,635)</u>	<u>-</u>	<u>807,947,768</u>
Governmental activities capital assets, net	<u>\$ 913,274,202</u>	<u>\$ 9,232,763</u>	<u>\$ 4,537,039</u>	<u>\$ 917,969,926</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets being depreciated:				
Buildings	\$ 4,767,384	\$ -	\$ -	\$ 4,767,384
Equipment	8,170	-	-	8,170
Total capital assets being depreciated	<u>4,775,554</u>	<u>-</u>	<u>-</u>	<u>4,775,554</u>
Less accumulated depreciation for:				
Buildings	(1,853,984)	(105,941)	-	(1,959,925)
Equipment	(7,585)	(585)	-	(8,170)
Total accumulated depreciation	<u>(1,861,569)</u>	<u>(106,526)</u>	<u>-</u>	<u>(1,968,095)</u>
Total capital assets being depreciated, net	<u>2,913,985</u>	<u>(106,526)</u>	<u>-</u>	<u>2,807,459</u>
Business-type activities capital assets, net	<u>\$ 2,913,985</u>	<u>\$ (106,526)</u>	<u>\$ -</u>	<u>\$ 2,807,459</u>

Depreciation was charged to functions as follows:

	Governmental Activities	Business Type Activities
Instruction	\$ 15,919,102	\$ -
Instruction-Related Services	4,522,765	-
Pupil Services	1,876,327	-
Ancillary Services	41,955	-
Community Services	1,720	-
Enterprise	6,144	106,526
General Administration	995,052	-
Plant Services	1,031,609	-
	<u>\$ 24,394,674</u>	<u>\$ 106,526</u>

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

F. Accounts Payable

Accounts payable balances as of June 30, 2013 consist of:

	General Fund	Capital Project Fund For Blended Component Units	Debt Service Fund For Blended Component Units	Other Non-Major Governmental Funds	Total Governmental Funds
Vendor payables	\$ 2,039,824	\$ -	\$ -	\$ 480,476	\$ 2,520,300
Payroll and benefits	2,389,389	-	-	84,334	2,473,723
Other current liabilities	220,036	-	-	31,397	251,433
Due to grantor government	8,782,001	-	-	-	8,782,001
Flexible spending account	144,914	-	-	-	144,914
Total	\$ 13,576,164	\$ -	\$ -	\$ 596,207	\$ 14,172,371

	Enterprise Fund	Self Insurance Fund	Foundation Private-Purpose Fund	Student Body Fund	Total Other Funds
Vendor payables	\$ 10,588	\$ 793,250	\$ 517	\$ 908,885	\$ 1,713,240
Payroll and benefits	361,909	2,917	-	-	364,826
Total	\$ 372,497	\$ 796,167	\$ 517	\$ 908,885	\$ 2,078,066

G. Interfund Balances and Activities

1. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2013, consisted of the following:

Transfers From	Transfers To	Amount	Reason
County School Facilities	General Fund	\$ 152,130	Reimburse expenses
Capital Project Fund	General Fund	576,150	Reimburse expenses
General Fund	Adult Education Fund	381,920	Program funding
Capital Projects Fund	Building Fund	6,960	Reimburse expenses
Capital Projects Fund	Capital Projects Fund	47,162,484	Capital projects
Capital Projects Fund	Debt Service Fund	133,905,831	Debt service
Special Reserve Capital	Special Reserve Other*	300,000	Reserve funds for uncertainty
General Fund	Self Insurance Fund	1,580,918	Insurance
Adult Education Fund	Self Insurance Fund	2,743	Insurance
Cafeteria Fund	Self Insurance Fund	18,434	Insurance
Enterprise Fund	Self Insurance Fund	50,216	Insurance
	Total	<u>\$ 184,137,786</u>	

*Fund is combined with the general fund for financial statement reporting purposes in accordance with GASB No. 54.

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

2. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2013, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Adult Education Fund	\$ 61,109	Indirect costs
General Fund	Adult Education Fund	19,186	Facility use
General Fund	Adult Education Fund	48,274	Reimburse expenses
General Fund	Child Development Fund	7,730	Indirect costs
General Fund	Child Development Fund	475	Reimburse expenses
General Fund	Capital Facilities Fund	21	Reimburse expenses
General Fund	Capital Facilities Fund	10,650	Developer fees
General Fund	Cafeteria Fund	255,152	Indirect costs
General Fund	Cafeteria Fund	10,208	Reimburse expenses
General Fund	County School Facilities Fund	155,037	Reimburse expenses
General Fund	Enterprise Fund	411,079	Indirect costs
General Fund	Enterprise Fund	11,482	Reimburse expenses
General Fund	Self Insurance Fund	379,614	Workers compensation
General Fund	Self Insurance Fund	107,889	Retirement benefits
General Fund	Self Insurance Fund	313	Reimburse expenses
General Fund	Foundation Private-Purpose	2,411	Reimburse expenses
Adult Education Fund	General Fund	15,037	General fund contributions
Adult Education Fund	Self Insurance Fund	8,169	Reimburse expenses
Cafeteria Fund	General Fund	20	Reimburse expenses
Cafeteria Fund	Enterprise Fund	978	Reimburse expenses
Child Development Fund	General Fund	230	Reimburse expenses
Child Development Fund	Self Insurance Fund	200	Reimburse expenses
Capital Facilities Fund	Self Insurance Fund	257	Reimburse expenses
Enterprise Fund	Child Development Fund	22,700	Temporary loan
Enterprise Fund	Child Development Fund	12,819	Reimburse expenses
Self Insurance Fund	General Fund	1,640,086	OPEB
Self Insurance Fund	Child Development Fund	1,731	OPEB
Self Insurance Fund	Cafeteria Fund	50,219	OPEB
Self Insurance Fund	Enterprise Fund	132,499	OPEB
Self Insurance Fund	Self Insurance Fund	10,677	OPEB
	Total	\$ 3,376,252	

All amounts due are scheduled to be repaid within one year.

H. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

I. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2013, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General Obligation Bonds	\$ 351,148,406	\$ -	\$ 3,485,000	\$ 347,663,406	\$ 3,300,000
Accreted Interest - GO Bonds	25,460,356	15,289,255	-	40,749,611	-
Capital Leases	1,966,605	-	211,002	1,755,603	202,172
Lease Revenue Bonds	39,386,927	57,300,000	34,158,058	62,528,869	30,000
Accreted Interest - LR Bonds	4,998,881	268,802	4,041,942	1,225,741	-
Special Tax Bonds - CFD	500,860,900	65,050,000	70,965,900	494,945,000	11,900,000
Debt Issue Premium	38,836,121	3,796,851	1,328,199	41,304,773	1,698,162
Debt Issue Discount	(320,797)	(7,767)	(15,041)	(313,523)	(15,106)
Early Retirement Incentive	5,004,587	-	2,502,294	2,502,293	2,502,293
Other General Long Term Debt	338,105	-	338,105	-	-
Other Post Employment Benefits	15,688,303	5,138,642	1,763,725	19,063,220	-
Compensated Absences *	4,593,242	-	106,059	4,487,183	4,487,183
Total governmental activities	\$ 987,961,636	\$ 146,835,783	\$ 118,885,243	\$ 1,015,912,176	\$ 24,104,704

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General Fund

2. Debt Service Requirements

Debt service requirements on long-term debt, net of OPEB, Premium and Discount, at June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	Governmental Activities			
	Principal	Accreted Interest	Interest	Total
2014	\$ 22,186,648	\$ -	\$ 33,601,348	\$ 55,787,996
2015	15,761,882	-	33,263,068	49,024,950
2016	17,912,456	574,247	33,518,422	52,005,125
2017	18,924,439	857,199	32,977,029	52,758,667
2018	20,080,832	1,470,851	32,379,735	53,931,418
2019-2023	121,899,792	17,311,734	148,564,641	287,776,167
2024-2028	178,261,755	45,418,245	118,438,072	342,118,072
2029-2033	225,820,875	124,884,125	69,559,488	420,264,488
2034-2038	177,968,733	199,786,267	24,125,940	401,880,940
2039-2043	78,458,280	233,911,451	6,058,399	318,428,130
2044-2048	25,857,835	249,843,018	161,850	275,862,703
2049-2053	10,748,827	208,282,917	-	219,031,744
Totals	\$ 913,882,354	\$ 1,082,340,054	\$ 532,647,992	\$ 2,528,870,400

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of June 30, 2013, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

<u>Bond Issue</u>	<u>Amount</u>
2002 Series A General Obligation Bonds	\$ 17,845,000
2003 CFD 1 Special Tax Bonds	1,110,381
2007 CFD Special Tax Bonds	65,068,062
2008 CFD Special Tax Bonds	84,346,088
2009 CFD Special Tax Bonds	5,305,000
2011 CFD Special Tax Bonds	1,566,419
Total	<u>\$ 175,240,950</u>

4. 2011 General Obligation Refunding Bonds

On October 18, 2011 the District issued \$53,285,000 of General Obligation Refunding Bonds. The refunding bonds bear fixed interest rates ranging from 2.00% to 5.00% with annual maturities from August 2012 through August 2027. The net proceeds (including premium of \$5,439,544) were used to refund the 2002 Series A General Obligation Bonds in addition to paying the costs of issuance of the refunding bonds.

Economic gain for issuing the refunding bonds was \$3,327,654 and was based on savings discounted to the date of issuance using an interest rate of 3.3026755%.

5. 2011 Special Tax Revenue Refunding Bonds

On October 19, 2011 the District issued \$34,615,000 of Special Tax Revenue Refunding Bonds. The refunding bonds bear fixed interest rates ranging from 1.00% to 5.50% with annual maturities from September 2012 through September 2033. The net proceeds of the bonds (after discount of \$298,228) along with additional funds available from the Community Facilities District were used to refund 2001 CFD 10 Area A Special Tax Bonds, 2001 CFD 10 Area B Special Tax Bonds, and 2002 CFD 6 Area A Special Tax Bonds.

Economic gain for issuing the refunding bonds was \$1,950,892 and was based on savings discounted to the date of issuance using an interest rate of 5.0179567%.

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

6. Capital Leases

The District entered into a lease agreement with Pinnacle Public Finance Corporation on September 22, 2011 for equipment. The title for the equipment transfers to the district upon conclusion of the final lease payment. The lease bears a fixed interest rate of 2.33% with payments of principal and interest due annually.

Commitments under capitalized lease agreements for equipment provide for minimum future lease payments as of June 30, 2013, as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2014	\$ 202,171	\$ 40,906	\$ 243,077
2015	206,882	36,195	243,077
2016	211,703	31,375	243,078
2017	216,638	26,442	243,080
2018	221,683	21,394	243,077
2018-2022	696,526	32,707	729,233
Totals	<u>\$ 1,755,603</u>	<u>\$ 189,019</u>	<u>\$ 1,944,622</u>

7. General Obligation Bonds

General obligation bonds at June 30, 2013 consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2002 Election Series B	11/02/06	4.50 - 5.00%	08/01/31	\$ 119,300,766
2002 Election Series C	01/09/09	4.65 - 4.70%	08/01/16	3,698,554
2008 Election Series A	01/09/09	6.00 - 7.10%	08/01/33	73,998,936
2008 Election Series B	08/11/11	6.56 - 7.12%	08/01/51	105,000,150
2011 Refunding Bonds	10/18/11	2.00 - 5.00%	08/01/27	53,285,000
Total GO Bonds				<u>\$ 355,283,406</u>

	Beginning Balance	Increases	Decreases	Ending Balance
2002 Election Series B	\$ 115,165,766	\$ -	\$ 1,275,000	\$ 113,890,766
Series B Accreted Interest	1,387,463	344,936	-	1,732,399
2002 Election Series C	3,698,554	-	-	3,698,554
Series C Accreted Interest	552,538	201,179	-	753,717
2008 Election Series A	73,998,936	-	-	73,998,936
Series A Accreted Interest	16,453,104	6,238,359	-	22,691,463
2008 Election Series B	105,000,150	-	-	105,000,150
Series B Accreted Interest	7,067,251	8,504,781	-	15,572,032
2011 Refunding Bonds	53,285,000	-	2,210,000	51,075,000
Total GO Bonds	<u>\$ 376,608,762</u>	<u>\$ 15,289,255</u>	<u>\$ 3,485,000</u>	<u>\$ 388,413,017</u>

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

The annual requirements to amortize the bonds outstanding at June 30, 2013 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 3,300,000	\$ -	\$ 7,892,426	\$ 11,192,426
2015	3,785,000	-	7,751,576	11,536,576
2016	5,945,753	574,247	7,578,976	14,098,976
2017	6,897,801	857,199	7,382,776	15,137,776
2018	7,329,149	1,470,851	7,161,126	15,961,126
2019-2023	51,193,266	17,311,734	31,636,240	100,141,240
2024-2028	78,506,755	45,418,245	20,962,500	144,887,500
2029-2033	82,700,875	124,884,125	3,942,625	211,527,625
2034-2038	43,799,904	199,095,096	-	242,895,000
2039-2043	32,578,240	232,951,491	-	265,529,731
2044-2048	20,877,835	249,843,018	-	270,720,853
2049-2053	10,748,828	208,282,917	-	219,031,745
Totals	\$ 347,663,406	\$ 1,080,688,923	\$ 94,308,245	\$ 1,522,660,574

8. Lease Revenue Bonds

Lease revenue bonds at June 30, 2013 consisted of the following:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>
2007 Lease Revenue Bonds	08/09/07	4.10%	12/01/39	\$ 34,783,991
2008 Lease Revenue Bonds	06/12/08	3.125 - 4.00%	12/01/42	92,681,499
2012 Lease Revenue Bonds	09/04/12	2.00-5.00%	09/01/43	57,300,000
Total Lease Revenue Bonds				\$ 184,765,490

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
2007 Lease Revenue Bonds	\$ 34,158,058	\$ -	\$ 34,158,058	\$ -
2007 Accreted Interest	4,041,943	-	4,041,943	-
2008 Lease Revenue Bonds	5,228,869	-	-	5,228,869
2008 Accreted Interest	956,939	268,802	-	1,225,741
2012 Lease Revenue Bonds	-	57,300,000	-	57,300,000
Total Lease Revenue Bonds	\$ 44,385,809	\$ 57,568,802	\$ 38,200,001	\$ 63,754,610

The annual requirements to amortize the bonds outstanding at June 30, 2013 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 30,000	\$ -	\$ 1,352,100	\$ 1,382,100
2015	90,000	-	1,350,000	1,440,000
2016	160,000	-	2,059,550	2,219,550
2017	230,000	-	2,052,075	2,282,075
2018	300,000	-	2,042,325	2,342,325
2019-2023	2,770,000	-	9,145,200	11,915,200
2024-2028	5,450,000	-	9,270,750	14,720,750
2029-2033	9,060,000	-	8,046,800	17,106,800
2034-2038	16,098,829	691,171	5,917,075	22,707,075
2039-2043	23,360,040	959,960	2,379,075	26,699,075
2044-2048	4,980,000	-	161,850	5,141,850
Totals	\$ 62,528,869	\$ 1,651,131	\$ 43,776,800	\$ 107,956,800

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

In June 2008 the District issued a series of lease revenue bonds totaling \$92,681,499. The bonds were secured by lease payments from the district to the Poway Unified School District Public Financing Authority, for Westview High School. Legal provisions in the debt include a fully-funded reserve and rental interruption insurance covering two years of lease payments to offset abatement risk.

The 2007 Lease Revenue Bonds (2007 LRBs) were issued under an adjustable-rate/multimode structure (Multimode Structure). In order to maintain a Multimode Structure, a standby liquidity letter of credit (Standby LOC) is required to be maintained. In the event that the Standby LOC Bank did not renew the Standby LOC in the future, the District would then have to 1) replace the Standby LOC Bank; or 2) convert the 2007 LRBs from the Multimode Structure to a Fixed-Rate-To-Maturity structure.

Dexia Credit Local (Dexia) provided the District with the initial Standby LOC. Starting in 2010, Dexia began notifying its American clients, including the District, that it would not renew their Standby LOCs upon the respective expiration dates. Prior to the Dexia Standby LOC expiration date in 2012, the District successfully replaced Dexia with US Bank, and restructured the 2007 LRBs under the 2012 Program by maintaining the Multimode Structure instead of having to convert to a Fixed-To-Maturity Rate Mode.

The District also added \$12,300,000 of funding for school facilities under the 2012 Program. The District's initial savings resulting from the lower interest rates under the Multimode Structure compared to the alternative higher Fixed-To-Maturity Interest rate levels approximate 1) \$17,727,326 for the total 2012 program; and 2) \$13,444,221 for the 2012 Program's 2007 LRB component only.

9. Special Tax Bonds

Special tax bonds issued by the Community Facilities Districts of the District at June 30, 2013 consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2002 CFD 10 Area D	10/02/02	2.50 - 5.70%	09/01/32	\$ 5,125,000
2002 CFD 10 Area E	10/02/02	2.50 - 5.75%	09/01/32	5,750,000
2002 CFD 6	09/20/02	2.50 - 5.60%	09/01/33	25,000,000
2003 CFD 1	01/28/03	2.25 - 5.40%	10/01/20	2,820,000
2003 Revenue Bonds	03/03/03	2.00 - 4.75%	09/01/28	21,335,000
2003 CFD 10 Area C	10/01/03	2.00 - 5.75%	09/01/33	3,000,000
2004 CFD 11	03/18/04	2.50 - 5.375%	09/01/34	9,000,000
2004 CFD 11 Area A	03/18/04	2.50 - 5.375%	09/01/34	11,000,000
2005 CFD 11 Area B	06/03/05	3.00 - 5.10%	09/01/35	9,035,000
2005 CFD 11 Area C	06/03/05	3.25 - 5.10%	09/01/35	13,475,000
2005 CFD 6	11/04/05	2.95 - 5.125%	09/01/35	44,305,000
2005 CFD 6 Area B	11/04/05	3.25 - 5.125%	09/01/36	30,000,000
2006 CFD 14	06/09/06	4.00 - 5.25%	09/01/36	51,515,000
2006 CFD 14 Area A	06/09/06	4.00 - 5.25%	09/01/36	51,495,000
2007 CFD 4	05/31/07	4.00 - 5.00%	09/15/42	69,945,000
2007 CFD 6	07/13/07	4.00 - 5.00%	09/01/35	37,910,000
2008 CFD 1	03/13/08	4.00 - 5.00%	10/01/20	48,420,000
2009 CFD 11	06/19/09	5.50 - 7.875%	09/15/39	8,995,000
2010 CFD 6	10/13/10	4.625 - 5.375%	09/01/36	5,775,000
2011 CFD 10	10/26/11	4.00 - 6.125%	09/01/41	1,695,000
2011 CFD 6,10	10/19/11	1.00 - 5.375%	09/15/33	34,615,000
2012 CFD 6	05/17/12	2.00 - 5.00%	09/01/36	38,940,000
2013 CFD 6	09/06/12	1.25-5.00%	09/01/42	9,470,000
2013 CFD 2,10,11	01/24/13	2.00-5.00%	09/15/42	37,785,000
2013 CFD 4,12,13	05/02/13	2.00-5.00%	09/01/42	17,795,000
Total CFD Special Tax Bonds				<u>\$ 594,200,000</u>

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

	Beginning Balance	Increases	Decreases	Ending Balance
2002 CFD 10 Area D	\$ 4,875,000	\$ -	\$ 4,875,000	\$ -
2002 CFD 10 Area E	5,480,000	-	5,480,000	-
2002 CFD 6	23,815,000	-	23,815,000	-
2003 CFD 1	2,655,000	-	65,000	2,590,000
2003 Revenue Bonds	18,385,000	-	540,000	17,845,000
2003 CFD 10 Area C	2,880,000	-	2,880,000	-
2004 CFD 11	8,685,000	-	8,685,000	-
2004 CFD 11 Area A	10,620,000	-	10,620,000	-
2005 CFD 11 Area B	8,755,000	-	190,000	8,565,000
2005 CFD 11 Area C	13,120,000	-	195,000	12,925,000
2005 CFD 6	43,435,000	-	645,000	42,790,000
2005 CFD 6 Area B	29,338,650	-	463,650	28,875,000
2006 CFD 14	50,537,750	-	507,750	50,030,000
2006 CFD 14 Area A	50,595,000	-	395,000	50,200,000
2007 CFD 4	69,050,000	-	640,000	68,410,000
2007 CFD 6	36,995,000	-	410,000	36,585,000
2008 CFD 1	32,235,000	-	5,520,000	26,715,000
2009 CFD 11	8,995,000	-	3,690,000	5,305,000
2010 CFD 6	5,159,500	-	289,500	4,870,000
2011 CFD 10	1,695,000	-	-	1,695,000
2011 CFD 6,10	34,615,000	-	975,000	33,640,000
2012 CFD 6	38,940,000	-	30,000	38,910,000
2013 CFD 6	-	9,470,000	55,000	9,415,000
2013 CFD 2,10,11	-	37,785,000	-	37,785,000
2013 CFD 4,12,13	-	17,795,000	-	17,795,000
Total CFD Special Tax Bonds	<u>\$ 500,860,900</u>	<u>\$ 65,050,000</u>	<u>\$ 70,965,900</u>	<u>\$ 494,945,000</u>

The annual requirements to amortize the bonds outstanding at June 30, 2013 are as follows:

Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2014	\$ 11,665,000	\$ -	\$ 24,315,916	\$ 35,980,916
2015	11,680,000	-	24,125,297	35,805,297
2016	11,595,000	-	23,848,521	35,443,521
2017	11,580,000	-	23,515,736	35,095,736
2018	12,230,000	-	23,154,890	35,384,890
2019-2023	67,240,000	-	107,750,494	174,990,494
2024-2028	94,305,000	-	88,204,822	182,509,822
2029-2033	134,060,000	-	57,570,063	191,630,063
2034-2038	118,070,000	-	18,208,865	136,278,865
2039-2043	22,520,000	-	3,679,324	26,199,324
Totals	<u>\$ 494,945,000</u>	<u>\$ -</u>	<u>\$ 394,373,928</u>	<u>\$ 889,318,928</u>

10. Accreted Interest

Accreted interest in the Long-Term Obligation Activity chart represents amounts that have compounded as of June 30, 2013 for bonds which were issued as capital appreciation bonds. Accreted interest in the repayment schedules represent the entire amount that will be repaid in the years the accreted interest becomes due.

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

11. Debt Issue Premium and Discount

Debt issue premium and discount arise when the market rate of interest varies from the stated interest rate on the debt. Generally Accepted Accounting Principles (GAAP) require that the premiums and discounts increase or decrease the face value of the debt and then are amortized over the life of the debt. Debt issue premium and discount reflected in the debt for the year ended June 30, 2013 is as follows:

	Date of Issue	Maturity Date	Unamortized Amount Beginning	Current Amortization	Unamortized Amount Remaining
Premiums					
2007 CFD 6	07/13/07	09/01/35	\$ 237,044	\$ 10,195	\$ 226,849
2008 CFD 1	03/13/08	10/01/20	1,158,664	140,444	1,018,220
2002 Election Series C	01/09/09	08/01/16	179,134	9,387	169,747
2008 Election Series A	01/09/09	08/01/33	8,213,522	389,574	7,823,948
2012 CFD 6	05/17/12	09/01/36	2,957,035	30,802	2,926,233
2011 Refunding Bonds	10/18/11	08/01/27	5,197,787	241,758	4,956,029
2008 Election Series B	07/28/11	08/01/51	20,892,935	467,254	20,425,681
2013 CFD 2,10,11**	01/24/13	09/15/42	-	36,074	2,809,791
2013 CFD 4,12,13**	05/02/13	09/01/42	-	2,709	948,276
Total Premiums			<u>\$ 38,836,121</u>	<u>\$ 1,328,197</u>	<u>\$ 41,304,774</u>

	Date of Issue	Maturity Date	Unamortized Amount Beginning	Current Amortization	Unamortized Amount Remaining
Discounts					
2010 CFD 6	10/13/10	09/01/36	\$ (18,005)	\$ (745)	\$ (17,260)
2011 CFD 11	10/26/11	09/01/41	(13,652)	(468)	(13,184)
2011 CFD Refunding	10/19/11	09/15/33	(289,139)	(13,633)	(275,506)
2013 CFD 6**	09/06/12	09/01/42	-	(195)	(7,573)
Total Discounts			<u>(320,796)</u>	<u>(15,041)</u>	<u>(313,523)</u>

**Represents new debt issuance in the 2012-13 fiscal year.

12. Early Retirement Incentive

In February 2010 the District offered an early retirement incentive in which eligible retirees would receive an annuity payment over 5 years in exchange for early retirement. 132 eligible employees elected to accept the incentive. Annual payments on the retirement incentive are \$2,502,294. There is one remaining year of payments on this incentive.

13. Other General Long Term Debt

In July 2008 the District took out a loan in the amount of \$1,500,000 to purchase noncapitalized equipment for the district. The loan bears an interest of 3.87% and was payable in annual installments which were fully repaid on May 31, 2013.

In August 2010 the District took out a loan from Houghton Mifflin in the amount of \$56,901 to purchase textbooks. The loan did not include interest and was payable in annual installments which were fully repaid by June 30, 2013.

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

J. Joint Ventures (Joint Powers Agreements)

The District participates in two joint powers agreements (JPA) entities, the San Diego County Schools Risk Management (SDCSR) and the Southern California Relief Property and Liability Insurance (SCR). The relationship between the District and the JPA's is such that the JPA's are not component units of the District.

The JPA's arrange for and provide for various types of insurances for its member districts as requested. The JPA's are governed by a board consisting of a representative from each member district. The board controls the operations of the JPA's, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA's.

Combined condensed unaudited financial information of the District's share of the San Diego County Schools Risk Management JPA for the year ended June 30, 2013 is as follows:

Total Assets	\$	1,630,911
Total Liabilities		525,874
Total Fund Balance		1,105,037
Total Cash Receipts		3,101,260
Total Cash Disbursements		2,846,930
Net Change in Fund Balance		254,330

Combined condensed unaudited financial information of the District's share of the Southern California Relief Property and Liability Insurance JPA for the year ended June 30, 2013 was not available as of the date of this report.

K. Employee Retirement Systems

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

PERS:

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-13 was 11.417% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2013, 2012 and 2011 were \$7,272,505, \$6,432,393 and \$6,380,309, respectively, and equal 100% of the required contributions for each year.

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

STRS:

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-13 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ending June 30, 2013, 2012 and 2011 were \$10,601,369, \$9,946,792 and \$9,706,048, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$6,640,349.

L. Postemployment Benefits Other Than Pension Benefits

Plan Description: The Poway Unified School District (District) provides health benefit plans to eligible retirees up to age 65. The postretirement health plans and the District's obligation vary by employee group as described below.

Poway Federated Teachers (PFT), APSM and Confidential Employees

The District provides health coverage for the retiree and any eligible dependent until the retiree reaches age 65. Eligible coverage includes medical/Rx, dental and vision benefits. Upon reaching age 65 or Medicare eligibility, retirees and their eligible spouses must enroll in Medicare. The District's contractual obligation is to pay for the health coverage of the retiree only for the least expensive medical, dental and vision plan regardless of which plan the retiree elects for coverage. The retiree is responsible for any health coverage elected for his/her eligible dependents.

To be eligible to receive retiree health coverage, the employee must be eligible for and retire under STRS/PERS and have at least 10 years of District eligible service at retirement. Upon reaching age 65, retirees can elect Medicare supplemental medical coverage but must pay the full cost for this coverage. Upon the death of the retiree, eligible spouses may continue coverage by paying the full cost of coverage.

Poway School Employees Association (PSEA)

Eligible employees can purchase retiree health coverage for themselves and their eligible dependents. Eligible coverage includes medical/Rx, dental and vision benefits. Upon reaching age 65 or Medicare eligibility, retirees and their eligible spouses must enroll in Medicare. To be eligible to purchase health coverage, the employee must be eligible for and retire under STRS/PERS/PARS and have at least 10 consecutive years of District eligible service at retirement.

Employees with at least 5 consecutive years of benefited eligible service may be eligible for a District contribution towards their retiree health coverage to age 65. The District's contribution will be based on a percentage of the cost for the least expensive medical plan for employee only coverage and will vary by years of District eligible service at retirement as follows:

Years of Service at Retirement	District Contribution Percentage
At least 15 years of service but less than 17	80%
At least 17 years of service but less than 20	90%
20 or more years of service	100%

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

Part-time employees will receive 100% of the District contribution if working between 7.76 and 8 hours, 92% of the District contribution if working between 6 and 7.75 hours and 73% of the District contribution if working between 4 and 5.99 hours.

Eligible retirees may purchase dental and vision coverage for themselves and medical, dental and vision coverage for their dependents on a self-pay basis. Upon the death of the retiree, eligible spouses may continue coverage by paying the full cost of coverage.

Service Employees International Union (SEIU) Employees

Eligible employees can purchase retiree health coverage for themselves and their eligible dependents. Eligible coverage includes medical/Rx, dental and vision benefits. Upon reaching age 65 or Medicare eligibility, retirees and their eligible spouses must enroll in Medicare. To be eligible to purchase health coverage, the employee must be eligible for and retire under STRS/PERS/PARS and have at least 10 consecutive years of District eligible service at retirement.

To be eligible to receive a District contribution for retiree health coverage, the employee must be eligible for and retire under STRS/PERS on or after July 1, 2007 and have at least 10 consecutive years of benefited service at retirement. The District's contribution will be based on a percentage of the cost for the least expensive medical plan for employee only coverage and will vary by years of District eligible service at retirement as follows:

Years of Service at Retirement	District Contribution Percentage
At least 10 years of service but less than 15	50%/\$200
At least 15 years of service but less than 20	75%/\$300
20 or more years of service	100%/\$400

Part-time employees will receive 100% of the District contribution if working between 7.76 and 8 hours, 92% of the District contribution if working between 6 and 7.75 hours and 73% of the District contribution if working between 4 and 5.99 hours.

Board Members

Eligible retired board members can elect health coverage for themselves and their eligible dependents on a self-pay basis. Eligible coverage includes medical/Rx, dental, and vision benefits.

Premium Rates

The premiums that are charged to the retiree for retiree and dependent medical coverage under age 65 are the same as the premiums charged for active medical coverage. Thus, the District is also providing a "rate subsidy" to the retirees by charging them a blended rate rather than a retiree only rate. GASB 45 requires that when an employer provides benefits to both active employees and retirees through the same plan, the benefits to retirees should be segregated and measured independently. This requires valuing any "rate subsidy" as an additional obligation to the District.

The following table summarizes the current ten monthly premiums and funding rates paid by the District on behalf of retirees. All premiums are experienced rated and effective for calendar year 2012.

	Health Net				Kaiser
	Silver Network	Full Network	PPO	Seniority Plus	Sr. Advantage
Employee (EE) Only	670	1,178	1,133	N/A	574
Two Party	1,430	2,523	2,378	N/A	1,117
EE Plus Family	1,975	3,475	3,475	N/A	1,531
Single - Medicare Eligible	342	331	454	367	286
Two Party - Medicare Eligible	688	667	911	730	571
Two Party - One Medicare	1,016	1,514	1,590	N/A	860

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

	Other Benefits	
	Dental Plan	Vision Plan
Employee (EE) Only	65	7
Two Party	133	13
EE Plus Family	198	15
Single - Medicare Eligible	65	7
Two Party - Medicare Eligible	133	13
Two Party - One Medicare	198	15

Funding Policy

Beginning in the 2007-08 fiscal year, the District began to accrue the retiree health benefits in accordance with GASB Statement No. 45. The expense is generally accrued over the working career of employees. Under accrual accounting in accordance with GASB Statement No. 45 the District's expense, inclusive of the annual required contribution, for the fiscal year ended June 30, 2013 is \$5,138,642.

Annual OPEB Cost and Net OPEB Obligation: The District's annual other postemployment benefits (OPEB) cost (expense) is based on the annual required contribution of the employer (ARC). The District's expense is comprised of the present value of benefits accruing in the current year (normal cost) plus a 30 year amortization (on a level-dollar basis) of the unfunded actuarial accrued liability (past service liability). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (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 fiscal year ended June 30, 2012, the amount actually contributed to the plan, and charges in the District's net OPEB obligation to the plan:

Annual required contribution	\$ 5,081,850
Interest on Net OPEB obligation	<u>56,792</u>
Total OPEB Cost	5,138,642
Contributions made	<u>(1,763,725)</u>
Increase in net OPEB obligation	3,374,917
Net OPEB obligations - beginning of year	<u>15,688,303</u>
Net OPEB obligations - end of year	<u>\$ 19,063,220</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2013 is as follows:

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB cost Contributed	Net OPEB Obligation
2013	\$ 5,138,642	34.32%	\$ 19,063,220

Funded Status and Funding Progress

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts 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 multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

Assumptions

The following assumptions were made:

Retirement eligibility age: The earliest retirement age assumed for employees is age 55.

Participation rate: 100% of future active employees are assumed to elect retiree health coverage at retirement. Of those electing coverage approximately 30% are assumed to elect coverage for their spouse. Spouses are assumed to be the same age as the retiree.

Claim cost development: The valuation was based on the medical premiums furnished by the District. The average annual medical cost for a single participant under age 65 was determined to be \$5,119. This cost includes medical and prescription drug. A claim cost curve was developed using an assumption for aging. This results in an expected claim cost at every age. Sample annual medical costs are provided in the following table.

<u>Plan</u>	<u>Average Cost</u>
Kaiser	7,790
Silver HMO	9,320
Full HMO	14,520
PPO	13,530
Dental	650
Vision	75

The average annual dental and vision cost for a single participant was determined to be \$550 for dental and \$80 for vision.

Medical trend rates: The expected rate of increase in healthcare insurance premiums is shown in the following table

<u>Year</u>	<u>PPO Trend</u>	<u>HMO Trend</u>
2013	8.0%	7.5%
2014	7.5%	7.0%
2015	7.0%	6.5%
2016	6.5%	6.0%
2017	6.0%	5.5%
2018	5.5%	5.0%
2019+	5.0%	5.0%

Dental and Vision trend rates: The expected rate of increase in dental and vision insurance premiums is shown below

<u>Year</u>	<u>Trend</u>
2013+	5.0%

Actuarial Cost Method: The actuarial cost method used was Projected Unit Credit with service prorate. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the year. All employees eligible as of the measurement date in accordance with the provisions of the plan listed in the data provided by the District were included in the valuation.

Actuarial value of assets: Any assets of the plan will be valued on a market value basis. As of June 30, 2013 the district did not have any GASB eligible assets.

Amortization of UAAL: The unfunded actuarial accrued liability is being amortized over an initial 30 years using the level-percentage of pay method on a closed basis. The remaining amortization period as of June 30, 2013 is 25 years.

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

M. Commitments and Contingencies

Litigation

The District is involved in various litigation. It is the opinion of management and legal council that the majority of cases will not result in a material liability. The following cases were determined to be material or potentially material to the District.

Cresta Bella, L.P. v Poway Unified School District
 Court of Appeal Case No. D060789

In August 2013, the District received the Court of Appeal's decision in Case No. D060789. The decision overturned the trial court decision and directed the District to reimburse developer fees with interest plus certain legal expenses associated with the costs of the law suit. The District reimbursed approximately \$1.3 million in September 2013. There should be no further action required of the District and no additional attorneys' fees required.

Beilby v. Poway Unified School District

On October 22, 2011, Winifred Beilby tripped on a hole in the driveway of Highland Ranch Elementary School after attending a fall festival. Ms. Beilby suffered a significant shoulder injury and had bruising to her face, arms and legs. The Plaintiff served an Offer to Compromise to Poway Unified School District in the amount of \$695,000 on August 21, 2013. The offer was declined by the District and is currently in mediation. The District views this case as one of probable liability and will attempt to resolve the case short of trial.

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to view and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

N. Construction Commitments

As of June 30, 2013 the District had the following commitments with respect to unfinished capital projects:

	<u>Commitment</u>	<u>Expected Date of Final Completion*</u>
Construction in Process:		
Design 39 Campus	\$ 57,500,000	08/20/14
Rancho Bernardo High School - HVAC	9,400,000	10/01/14

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

O. Risk Management

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. The District has one self-insurance fund (Internal Service Fund) to account for and finance its uninsured risks of loss. The Internal Service Fund provides dental and vision coverage to employees.

All funds of the District participate in the program, but only the General Fund makes payments to the Self Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a liability for open claims and Incurred But Not Reported (IBNR) claims. The claims and liability of \$474,207 is included in the liabilities under accounts payable and is reported in accordance with Financial Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated at the end of the fiscal year. Changes in the Internal Service Fund's claim liability in the fiscal year ended June 30, 2013 are indicated below:

Internal Service Fund:	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
Year 2012-13	\$ 471,393	\$ 96,546	\$ 93,732	\$ 474,207

P. Subsequent Events

Effective for the fiscal year beginning July 1, 2013 the District is implementing GASB Statement Number 65, Items Previously Reported as Assets and Liabilities. The purpose of this pronouncement is to improve financial reporting by clarifying the appropriate use of the financial statement elements of deferred inflows and outflows of resources to ensure consistency in financial reporting. With implementation of this pronouncement, the District will recognize certain items previously reported as assets or liabilities as outflows of resources or inflows of resources.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

POWAY UNIFIED SCHOOL DISTRICT

EXHIBIT B-1

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 60,049,722	\$ 60,435,164	\$ 60,435,164	\$ -
Local Sources	103,808,497	121,113,981	121,113,981	-
Federal Revenue	9,307,853	10,479,984	9,307,364	(1,172,620)
Other State Revenue	47,618,408	56,126,118	50,286,679	(5,839,439)
Other Local Revenue	13,617,373	15,983,081	15,615,018	(368,063)
Total Revenues	<u>234,401,853</u>	<u>264,138,328</u>	<u>256,758,206</u>	<u>(7,380,122)</u>
Expenditures:				
Current:				
Certificated Salaries	127,413,801	128,161,997	127,490,993	671,004
Classified Salaries	44,631,485	43,922,836	43,581,602	341,234
Employee Benefits	56,212,447	55,175,968	54,791,058	384,910
Books And Supplies	9,163,444	18,135,135	9,254,474	8,880,661
Services And Other Operating Expenditures	29,969,961	28,084,487	26,624,148	1,460,339
Other Outgo	715,628	715,973	713,913	2,060
Direct Support/Indirect Costs	(373,024)	(81,281)	(336,956)	255,675
Capital Outlay	225,297	2,740,930	2,621,000	119,930
Debt Service:				
Principal	530,140	530,140	530,140	-
Interest	44,506	44,506	44,506	-
Total Expenditures	<u>268,533,685</u>	<u>277,430,691</u>	<u>265,314,878</u>	<u>12,115,813</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(34,131,832)</u>	<u>(13,292,363)</u>	<u>(8,556,672)</u>	<u>4,735,691</u>
Other Financing Sources (Uses):				
Transfers In	480,000	728,280	728,280	-
Transfers Out	(1,948,884)	(2,392,856)	(2,392,856)	-
Total Other Financing Sources (Uses)	<u>(1,468,884)</u>	<u>(1,664,576)</u>	<u>(1,664,576)</u>	<u>-</u>
Net Change in Fund Balance	<u>(35,600,716)</u>	<u>(14,956,939)</u>	<u>(10,221,248)</u>	<u>4,735,691</u>
Fund Balance, July 1	55,109,981	55,109,981	55,109,981	-
Fund Balance, June 30	<u>\$ 19,509,265</u>	<u>\$ 40,153,042</u>	<u>\$ 44,888,733</u>	<u>\$ 4,735,691</u>

POWAY UNIFIED SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 POWAY UNIFIED SCHOOL DISTRICT HEALTH PROGRAM
 YEAR ENDED JUNE 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/08	\$ -	\$ 38,297,941	\$ 38,297,941	-	\$ 198,028,878	19.3%
01/01/10	-	40,681,511	40,681,511	-	179,353,990	22.7%
01/01/12	-	44,413,960	44,413,960	-	174,511,159	25.5%

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Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

POWAY UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue Funds	Debt Service Fund <u>Bond Interest & Redemption</u>	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	\$ 2,049,551	\$ 11,383,495	\$ 3,953,567	\$ 17,386,613
Cash on Hand and in Banks	686,369	-	-	686,369
Cash in Revolving Fund	2,690	-	-	2,690
Cash with a Fiscal Agent/Trustee	-	-	15,107	15,107
Accounts Receivable	595,816	-	110,957	706,773
Due from Other Funds	16,466	-	-	16,466
Stores Inventories	339,567	-	-	339,567
Total Assets	<u>3,690,459</u>	<u>11,383,495</u>	<u>4,079,631</u>	<u>19,153,585</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 539,192	\$ -	\$ 57,014	\$ 596,206
Due to Other Funds	497,772	-	165,965	663,737
Unearned Revenue	93,696	-	-	93,696
Total Liabilities	<u>1,130,660</u>	<u>-</u>	<u>222,979</u>	<u>1,353,639</u>
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	2,690	-	-	2,690
Stores Inventories	339,567	-	-	339,567
Restricted Fund Balances				
Educational Programs	13,573	-	-	13,573
Nutrition Programs	2,057,777	-	-	2,057,777
Debt Service	-	11,383,495	-	11,383,495
Capital Projects	-	-	1,068,929	1,068,929
Committed Fund Balances				
Adult Education Program	86,057	-	-	86,057
Deferred Maintenance	60,135	-	-	60,135
Assigned Fund Balances				
Capital Projects	-	-	2,787,723	2,787,723
Total Fund Balance	<u>2,559,799</u>	<u>11,383,495</u>	<u>3,856,652</u>	<u>17,799,946</u>
Total Liabilities and Fund Balances	<u>\$ 3,690,459</u>	<u>\$ 11,383,495</u>	<u>\$ 4,079,631</u>	<u>\$ 19,153,585</u>

POWAY UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue Funds	Debt Service Fund <u>Bond Interest & Redemption</u>	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 2,882,606	\$ -	\$ -	\$ 2,882,606
Other State Revenue	396,860	116,086	-	512,946
Other Local Revenue	6,472,028	11,685,668	534,082	18,691,778
Total Revenues	<u>9,751,494</u>	<u>11,801,754</u>	<u>534,082</u>	<u>22,087,330</u>
Expenditures:				
Instruction	963,569	-	-	963,569
Instruction - Related Services	480,245	-	-	480,245
Pupil Services	8,819,353	-	-	8,819,353
General Administration	336,957	-	29,410	366,367
Plant Services	151,253	-	3,596,955	3,748,208
Debt Service:				
Principal	-	3,485,000	-	3,485,000
Interest	-	7,965,425	-	7,965,425
Total Expenditures	<u>10,751,377</u>	<u>11,450,425</u>	<u>3,626,365</u>	<u>25,828,167</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(999,883)</u>	<u>351,329</u>	<u>(3,092,283)</u>	<u>(3,740,837)</u>
Other Financing Sources (Uses):				
Transfers In	381,920	-	6,960	388,880
Transfers Out	(21,177)	-	(452,130)	(473,307)
Total Other Financing Sources (Uses)	<u>360,743</u>	<u>-</u>	<u>(445,170)</u>	<u>(84,427)</u>
Net Change in Fund Balance	(639,140)	351,329	(3,537,453)	(3,825,264)
Fund Balance, July 1	3,198,939	11,032,166	7,394,105	21,625,210
Fund Balance, June 30	<u>\$ 2,559,799</u>	<u>\$ 11,383,495</u>	<u>\$ 3,856,652</u>	<u>\$ 17,799,946</u>

POWAY UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2013

	Adult Education Fund	Child Development Fund
ASSETS:		
Cash in County Treasury	\$ 200,856	\$ 3,045
Cash on Hand and in Banks	4,977	50
Cash in Revolving Fund	-	-
Accounts Receivable	138,692	57,564
Due from Other Funds	15,038	430
Stores Inventories	-	-
Total Assets	<u>359,563</u>	<u>61,089</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ 43,072	\$ 2,061
Due to Other Funds	136,738	45,455
Unearned Revenue	93,696	-
Total Liabilities	<u>273,506</u>	<u>47,516</u>
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	-	-
Stores Inventories	-	-
Restricted Fund Balances	-	
Educational Programs		13,573
Nutrition Programs		-
Committed Fund Balances		
Adult Education Program	86,057	-
Deferred Maintenance	-	-
Total Fund Balance	<u>86,057</u>	<u>13,573</u>
Total Liabilities and Fund Balances	<u>\$ 359,563</u>	<u>\$ 61,089</u>

EXHIBIT C-3

Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 1,785,571	\$ 60,079	\$ 2,049,551
681,342	-	686,369
2,690	-	2,690
399,504	56	595,816
998	-	16,466
339,567	-	339,567
<u>3,209,672</u>	<u>60,135</u>	<u>3,690,459</u>
\$ 494,059	\$ -	\$ 539,192
315,579	-	497,772
-	-	93,696
<u>809,638</u>	<u>-</u>	<u>1,130,660</u>
2,690	-	2,690
339,567	-	339,567
-	-	13,573
2,057,777	-	2,057,777
-	-	86,057
-	60,135	60,135
<u>2,400,034</u>	<u>60,135</u>	<u>2,559,799</u>
<u>\$ 3,209,672</u>	<u>\$ 60,135</u>	<u>\$ 3,690,459</u>

POWAY UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Adult Education Fund	Child Development Fund
Revenues:		
Federal Revenue	\$ 226,333	\$ -
Other State Revenue	-	246,278
Other Local Revenue	709,194	26,724
Total Revenues	<u>935,527</u>	<u>273,002</u>
Expenditures:		
Instruction	706,624	256,945
Instruction - Related Services	480,245	-
Pupil Services	44,055	-
General Administration	61,109	16,598
Plant Services	-	-
Total Expenditures	<u>1,292,033</u>	<u>273,543</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(356,506)</u>	<u>(541)</u>
Other Financing Sources (Uses):		
Transfers In	381,920	-
Transfers Out	(2,743)	-
Total Other Financing Sources (Uses)	<u>379,177</u>	<u>-</u>
Net Change in Fund Balance	22,671	(541)
Fund Balance, July 1	63,386	14,114
Fund Balance, June 30	<u>\$ 86,057</u>	<u>\$ 13,573</u>

EXHIBIT C-4

Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ 2,656,273	\$ -	\$ 2,882,606
150,582	-	396,860
5,735,775	335	6,472,028
<u>8,542,630</u>	<u>335</u>	<u>9,751,494</u>
-	-	963,569
-	-	480,245
8,775,298	-	8,819,353
259,250	-	336,957
112,560	38,693	151,253
<u>9,147,108</u>	<u>38,693</u>	<u>10,751,377</u>
<u>(604,478)</u>	<u>(38,358)</u>	<u>(999,883)</u>
-	-	381,920
(18,434)	-	(21,177)
<u>(18,434)</u>	<u>-</u>	<u>360,743</u>
(622,912)	(38,358)	(639,140)
3,022,946	98,493	3,198,939
<u>\$ 2,400,034</u>	<u>\$ 60,135</u>	<u>\$ 2,559,799</u>

POWAY UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECTS FUNDS

JUNE 30, 2013

	Building Fund	Capital Facilities Fund
ASSETS:		
Cash in County Treasury	\$ 18,609	\$ 2,685,230
Cash with a Fiscal Agent/Trustee	15,107	-
Accounts Receivable	107,810	2,113
Total Assets	<u>141,526</u>	<u>2,687,343</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ 11,520	\$ 37,064
Due to Other Funds	-	10,928
Total Liabilities	<u>11,520</u>	<u>47,992</u>
Fund Balance:		
Restricted Fund Balances		
Capital Projects	-	-
Assigned Fund Balances		
Capital Projects	130,006	2,639,351
Total Fund Balance	<u>130,006</u>	<u>2,639,351</u>
Total Liabilities and Fund Balances	<u>\$ 141,526</u>	<u>\$ 2,687,343</u>

EXHIBIT C-5

County School Facilities Fund	Special Reserve Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ 1,231,377	\$ 18,351	\$ 3,953,567
-	-	15,107
1,019	15	110,957
<u>1,232,396</u>	<u>18,366</u>	<u>4,079,631</u>
\$ 8,430	\$ -	\$ 57,014
155,037	-	165,965
<u>163,467</u>	<u>-</u>	<u>222,979</u>
1,068,929	-	1,068,929
-	18,366	2,787,723
<u>1,068,929</u>	<u>18,366</u>	<u>3,856,652</u>
<u>\$ 1,232,396</u>	<u>\$ 18,366</u>	<u>\$ 4,079,631</u>

POWAY UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Building Fund	Capital Facilities Fund
Revenues:		
Other Local Revenue	\$ 108,690	\$ 407,627
Total Revenues	<u>108,690</u>	<u>407,627</u>
Expenditures:		
General Administration	-	29,410
Plant Services	750	286,885
Total Expenditures	<u>750</u>	<u>316,295</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>107,940</u>	<u>91,332</u>
Other Financing Sources (Uses):		
Transfers In	6,960	-
Transfers Out	-	-
Total Other Financing Sources (Uses)	<u>6,960</u>	<u>-</u>
Net Change in Fund Balance	114,900	91,332
Fund Balance, July 1	15,106	2,548,019
Fund Balance, June 30	<u>\$ 130,006</u>	<u>\$ 2,639,351</u>

EXHIBIT C-6

County School Facilities Fund	Special Reserve Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ 15,359	\$ 2,406	\$ 534,082
<u>15,359</u>	<u>2,406</u>	<u>534,082</u>
-	-	29,410
3,309,320	-	3,596,955
<u>3,309,320</u>	<u>-</u>	<u>3,626,365</u>
(3,293,961)	2,406	(3,092,283)
-	-	6,960
(152,130)	(300,000)	(452,130)
<u>(152,130)</u>	<u>(300,000)</u>	<u>(445,170)</u>
(3,446,091)	(297,594)	(3,537,453)
4,515,020	315,960	7,394,105
<u>\$ 1,068,929</u>	<u>\$ 18,366</u>	<u>\$ 3,856,652</u>

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Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

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Supplementary Information Section

POWAY UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY

ORGANIZATION STRUCTURE

JUNE 30, 2013

The Poway Unified School District was established in 1962 and is comprised of an area of approximately 100 square miles in San Diego County. There were no changes to the boundaries during the current year. The district is currently operating twenty five elementary schools, six middle schools, five comprehensive high schools, and one continuation high school. The district also maintains twenty five preschools, one New Directions independent study program, and one Adult school.

Governing Board

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Marc Davis	President	Four Year Term Expires December 2014
Todd Gutschow	Vice President	Four Year Term Expires December 2014
Penny Ranftle	Clerk	Four Year Term Expires December 2014
Andy Patapow	Member	Four Year Term Expires December 2016
Kimberly Beatty	Member	Four Year Term Expires December 2016

Administration

John P. Collins Ed.D
Superintendent

William Chiment
Associate Superintendent
Personel Support Services

Mel Robertson, Ed.D
Associate Superintendent
Learning Support Services

Malliga Tholandi
Associate Superintendent
Business Support Services

POWAY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 YEAR ENDED JUNE 30, 2013

TABLE D-1

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
Elementary:				
Kindergarten	2,754.93	N/A	2,759.36	N/A
Grades 1 through 3	7,519.02	N/A	7,526.71	N/A
Grades 4 through 6	7,492.82	N/A	7,498.22	N/A
Grades 7 and 8	4,993.20	N/A	4,994.43	N/A
Home and hospital	3.70	N/A	5.04	N/A
Special education	663.96	N/A	669.36	N/A
Elementary totals	<u>23,427.63</u>	<u>N/A</u>	<u>23,453.12</u>	<u>N/A</u>
High School:				
Grades 9 through 12, regular classes	10,176.22	N/A	10,119.20	N/A
Home and hospital	7.35	N/A	9.76	N/A
Special education	322.95	N/A	321.78	N/A
Continuation education	121.01	N/A	121.90	N/A
High school totals	<u>10,627.53</u>	<u>N/A</u>	<u>10,572.64</u>	<u>N/A</u>
ADA totals	<u>34,055.16</u>	<u>N/A</u>	<u>34,025.76</u>	<u>N/A</u>

There is no revised ADA as the district did not have any findings affecting attendance reporting. Amounts reported reflect the final Second Period and Annual reports of attendance submitted to the California Department of Education by the district.

Average daily attendance 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.

POWAY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 YEAR ENDED JUNE 30, 2013

TABLE D-2

Grade Level	1982-83 Actual Minutes	1982-83 Adjusted & Reduced	1986-87 Minutes Requirement	1986-87 Adjusted & Reduced	2012-13 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	31,680	30,800	36,000	35,000	52,250	180	-	Complied
Grade 1	47,149	45,839	50,400	49,000	54,010	180	-	Complied
Grade 2	47,149	45,839	50,400	49,000	54,010	180	-	Complied
Grade 3	47,149	45,839	50,400	49,000	54,010	180	-	Complied
Grade 4	49,684	48,304	54,000	52,500	54,010	180	-	Complied
Grade 5	49,684	48,304	54,000	52,500	54,010	180	-	Complied
Grade 6	60,703	59,017	54,000	52,500	62,317	180	-	Complied
Grade 7	60,703	59,017	54,000	52,500	62,317	180	-	Complied
Grade 8	60,703	59,017	54,000	52,500	62,317	180	-	Complied
Grade 9	54,441	52,929	64,800	63,000	64,892	180	-	Complied
Grade 10	54,441	52,929	64,800	63,000	64,892	180	-	Complied
Grade 11	54,441	52,929	64,800	63,000	64,892	180	-	Complied
Grade 12	54,441	52,929	64,800	63,000	64,892	180	-	Complied

Districts, including basic aid districts, must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by Education Code Section 46201. This schedule is required of all districts, including basic aid districts.

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

POWAY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 YEAR ENDED JUNE 30, 2013

TABLE D-3

General Fund	Budget 2014 (Note 1)	2013	2012	2011
Revenues and other financial sources	\$ 273,619,728	\$ 257,486,487	\$ 264,400,036	\$ 257,828,407
Expenditures, other uses and transfers out	295,248,959	267,707,734	253,151,008	244,737,035
Change in fund balance (deficit)	(21,629,231)	(10,221,247)	11,249,028	13,091,372
Ending fund balance	\$ 23,259,502	\$ 44,888,733	\$ 55,109,980	\$ 43,860,952
Available reserves (Note 2)	\$ 18,757,451	\$ 38,734,961	\$ 49,205,077	\$ 37,818,553
Available reserves as a percentage of total outgo	6.4%	14.5%	19.4%	15.5%
Total long-term debt	\$ 991,767,472	\$ 1,015,912,176	\$ 987,961,635	\$ 932,537,049
Average daily attendance at P-2	34,239	34,055	33,545	33,055

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.

The general fund fund balance has increased by \$1,027,781 (2.34%) over the past two years. The fiscal year 2013-2014 budget projects a decrease of \$21,629,231 (48.14%). For a district of this size, the State recommends available reserves of at least 3% of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has increased by \$83,375,127 over the past two years.

Average daily attendance has increased by 1000 over the past two years.

NOTES:

- 1 Budget 2013 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of all assigned fund balances, unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.
- 3 For financial reporting purposes in the fund financial statements, the Special Reserve Fund for Other Than Capital Outlay (Fund 17) has been combined as part of the General Fund to be in compliance with GASB Statement No. 54. This report is a reflection of activity in the General Fund only.

POWAY UNIFIED SCHOOL DISTRICT
 RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
 REPORT WITH AUDITED FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2013

TABLE D-4

	General Fund	Special Reserve Fund
	<u> </u>	<u> </u>
June 30, 2013, annual financial and budget report fund balances	\$ 44,888,734	\$ 2,361,230
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Combination of Special Reserve Fund with General Fund in accordance with GASB Statement No. 54	<u>2,361,230</u>	<u>(2,361,230)</u>
Net adjustments and reclassifications	<u>2,361,230</u>	<u>(2,361,230)</u>
June 30, 2013, audited financial statement fund balances	<u>\$ 47,249,964</u>	<u>\$ -</u>
	Schedule of Long-Term Liabilities	
	<u> </u>	
June 30, 2013, annual financial and budget report total liabilities	\$ 987,004,697	
Adjustments and reclassifications:		
Increase (decrease) in total liabilities:		
Accreted interest understatement	<u>956,938</u>	
Net adjustments and reclassifications	<u>956,938</u>	
June 30, 2013, audited financial statement total liabilities	<u>\$ 987,961,635</u>	

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

POWAY UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2013

TABLE D-5

No charter schools are chartered by Poway Unified School District.

<u>Charter Schools</u>	<u>Included In Audit?</u>
None	N/A

POWAY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2013

TABLE D-6

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION			
Direct Program:			
Impact Aid - P.L. 81.874	84.041	-	\$ 203,419
Passed Through State Department of Education:			
Adult Education	84.002	13978	226,333
Title I	84.010	14329	2,143,398
Special Education: IDEA Local Assistance	84.027	10115	58,978
Special Education: IDEA Basic	84.027	13379	4,164,272
Special Education: IDEA Mental Health	84.027	14468	604,094
Special Education: IDEA Preschool Local	84.027A	13682	291,075
Special Education: IDEA Preschool	84.173	13430	135,186
Special Education: Preschool Staff Development	84.173A	13431	263
Total Special Education Cluster			5,253,868
Carl D. Perkins Career & Technical Education	84.048	14894	134,853
Transitional Partnership	84.158	10006	205,153
Early Intervention	84.181	23761	117,525
Title X - McKinney-Vento Homeless Assistance	84.196	14332	24,749
Advanced Placement	84.330	14831	6,268
Title III - Limited English Proficiency	84.365	10084	435,840
Title III - Immigrant Education	84.365	15146	90,752
Total Title III			526,592
Title II - Teacher Quality	84.367	14341	691,583
Total Passed Through State Department of Education			9,330,322
Total U. S. Department of Education			9,533,741
U. S. DEPARTMENT OF AGRICULTURE			
Direct Program:			
Forest Reserve Funds	10.665	-	186
Passed Through State Department of Education:			
School Breakfast Program	10.553	13526	150,803
National School Lunch Section 4	10.555	13391	526,056
National School Lunch Section 11	10.555	13396	1,509,765
Total Child Nutrition Cluster			2,186,624
Commodities*	10.565	13396	469,650
Total Passed Through State Department of Education			2,656,274
Total U. S. Department of Agriculture			2,656,460
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 12,190,201

* Indicates non-cash expenditure

The accompanying notes are an integral part of this schedule.

POWAY UNIFIED SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Poway Unified School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB 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 general purpose financial statements.

2. Subrecipients

Of the federal expenditures presented in the schedule, Poway Unified School District provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Title II Teacher Quality	84.367	\$ 6,737

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Other Independent Auditor's Reports

Wilkinson Hadley King & Co. LLP

CPA's and Advisors
218 W. Douglas Ave.
El Cajon, California

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*

Board of Trustees
Poway Unified School District
Poway, California 92064-2098

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Poway Unified School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Poway Unified School District's basic financial statements, and have issued our report thereon dated November 18, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Poway 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 Poway Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Poway 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Poway 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) 2013-1 .

Poway Unified School District's Response to Findings

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

Purpose of this Report

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

El Cajon, California
November 18, 2013

Wilkinson Hadley King & Co. LLP

CPA's and Advisors
218 W. Douglas Ave.
El Cajon, California

Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by OMB Circular A-133

Board of Trustees
Poway Unified School District
Poway, California 92064-2098

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited Poway 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 Poway Unified School District's major federal programs for the year ended June 30, 2013. Poway 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 Poway 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 Poway 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 Poway Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Poway 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 identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Poway 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 Poway 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 Poway 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 considered 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.

El Cajon, California
November 18, 2013

Wilkinson Hadley King & Co. LLP

CPA's and Advisors
218 W. Douglas Ave.
El Cajon, California

Independent Auditor's Report on State Compliance

Board of Trustees
Poway Unified School District
Poway, California 92064-2098

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13*, published by the California Education Audit Appeals Panel that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2013.

Management's Responsibility for State Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13* published by the Education Audit Appeals Panel. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State's audit guide *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13* published by the Education Audit Appeals Panel. Those standards and audit guide 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 direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

<u>Description</u>	<u>Procedures In Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes

County Offices of Education	3	N/A
Instructional Materials, General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	N/A
GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	N/A
Class Size Reduction (Including Charter Schools):		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	N/A
Only One School Serving Grades K-3	4	N/A
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Yes
Charter Schools		
Contemporaneous Records of Attendance	1	N/A
Mode of Instruction	1	N/A
Nonclassroom-Based Instruction/Independent Study	15	N/A
Determination of Funding for Nonclassroom-Based Instruction	3	N/A
Annual Instructional Minutes - Classroom Based	4	N/A

The term "N/A" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

Opinion on State Compliance

In our opinion, Poway Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2013. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13*, published by the Education Audit Appeals Panel and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2013-1.

Poway Unified School District's Response to Findings

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

Purpose of this Report

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

El Cajon, California
November 18, 2013

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Findings and Recommendations Section

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POWAY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.027A, 84.173, 84.173A	Special Education Cluster
84.010	Title I
84.367	Title II Teacher Quality
84.365	Title III
84.158	Transitional Partnership

Dollar threshold used to distinguish between type A and type B programs: \$365,706

Auditee qualified as low-risk auditee? Yes No

POWAY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

3. State Awards

Internal control over state programs:

One or more material weaknesses identified?	___	Yes	___	X	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	___	Yes	___	X	None Reported

Type of auditor's report issued on compliance for state programs: Unmodified

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

Finding 2013-1 (70000)
 Instructional Materials

Criteria or Specific Requirement

Determine that the district met the requirements for a public hearing to determine sufficiency of instructional materials as outlined in Education Code Section 60119.

Condition

In our review of the notice of public hearing for the determination of sufficiency of instructional materials we noted that the notice was not posted ten days in advance of the hearing. The notice was posted on September 6, 2012 for a hearing held on September 10, 2012.

Questioned Costs

\$1,838,033

Context

Education Code Section 60119 requires the district to hold a public hearing within the first eight weeks of school to determine sufficiency of instructional materials. A notice of public hearing must be posted ten days in advance in three public locations.

Effect

The district did not comply with the requirement to post the notice of public hearing ten days in advance

Cause

District did not have proper review procedures to ensure that the requirements for a public hearing to determine sufficiency of instructional materials were met.

Recommendation

We recommend the district implement review procedures to ensure that the requirements to post ten day notice of public hearing have been met.

POWAY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

LEA's Response

We have instituted the following procedures to ensure that the requirement to post ten days notice of public hearing is met:

1. Set a recurring appointment in the calendar of the person responsible for posting, 30 days prior to the deadline for the instructional materials assurance notification.
2. Set a recurring appointment in the calendars of the executive level persons responsible for textbook adoption/fullfillment 30 days prior to the deadline for the instructional materials notification.
3. Sent a memorandum to all staff responsible for public notices, with reminders of posting requirements.
4. Set a process for the Poway Board of Education secretary to place a reminder in the board's processes regarding the posting requirements for public hearing.

POWAY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p>Finding 2012-1 (30000) Associated Student Body</p> <p>In our review of deposits at four schools we noted that 20 out of 26 deposits tested did not have supporting documentation that substantiated amounts deposited. In addition, there was one expenditure which was a donation to an outside charity.</p> <p>We recommended the district provide training and oversight of student body funds to ensure an appropriate safeguarding of assets.</p>	Implemented	
<p>Finding 2012-2 (50000) Federal Payroll Documentation</p> <p>In our review of salaries and wages charged to the Special Education Cluster, we noted that the second certification of single funded employees was signed one month prior to the completion of the period for which it was certifying. Multi funded employees completed certifications of actual effort expended in August 2012 for the entire 2011-12 fiscal year. In addition, the district did not obtain certifications of actual effort expended for substitute teachers charged to the program.</p> <p>We recommended the district implement procedures to ensure that all salaries and wages charged to federal programs are in compliance with OMB Circular A-87.</p>	Implemented	
<p>Finding 2012-3 (10000) Attendance Verification</p> <p>In our review of absence verifications at Midland and Morning Creek Elementary we noted the attendance clerks were not following the districts procedures for documenting verification of absences.</p> <p>We recommended the district work with the attendance clerks to ensure they understand and are following district procedures.</p>	Implemented	

POWAY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2012-4 (40000) Pertussis</p> <p>In our review of pertussis immunization records at one middle school we noted that one out of twenty five students tested did not receive the immunization within 30 calendar days from the first day of school.</p> <p>We recommended the district carefully monitor required immunizations to ensure that students are receiving them prior to required deadlines.</p>	<p>Implemented</p>	
<p>Finding 2012-5 (40000) After School Education and Safety Program</p> <p>In our review of the sign in sheets for the before school program at Valley Elementary School we noted that the site did not utilize sign in sheets for the majority of the school year. The site relied solely on a scan in the computer system to track attendance which was outside of established procedures agreed upon with oversight agencies.</p> <p>We recommended the district conduct training with site personnel to ensure they understand the documentation requirements of the After School Education and Safety Program.</p>	<p>Implemented</p>	