



# ORLAND UNIFIED SCHOOL DISTRICT

## AUDIT REPORT

JUNE 30, 2013

San Diego

Los Angeles

San Francisco  
Bay Area



christywhite  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

**ORLAND UNIFIED SCHOOL DISTRICT  
OF GLENN COUNTY**

**ORLAND, CALIFORNIA**

**JUNE 30, 2013**

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Orland Unified School District is located in Glenn County, California. The District was established in 1918. There were no changes in the boundaries of the District during the current year. The District is currently operating two elementary schools, one intermediate school, one high school, one continuation high school, and two community day schools.

**GOVERNING BOARD**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Larry Donnelley	President	2016
Bob Pasero	Clerk	2014
Jack Martin	Member	2014
Connie Carter	Member	2016
Jeff Aguiar	Member	2016

**DISTRICT ADMINISTRATORS**

Chris von Kleist  
*Superintendent*

Jeff Scheele  
*Assistant Superintendent*

Laura Holderfield  
*Business Manager*

**ORLAND UNIFIED SCHOOL DISTRICT  
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FOR THE YEAR ENDED JUNE 30, 2013**

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

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State Board of Accountancy*

Governing Board  
Orland Unified School District  
Orland, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Orland Unified School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Orland Unified School District's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Orland 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.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 10, the budgetary comparison information on pages 50 and 51, and the schedule of funding progress on page 52 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013 on our consideration of Orland 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 Orland Unified School District's internal control over financial reporting and compliance.

*Christy White Associates*

San Diego, California  
December 12, 2013



# ORLAND UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

## INTRODUCTION

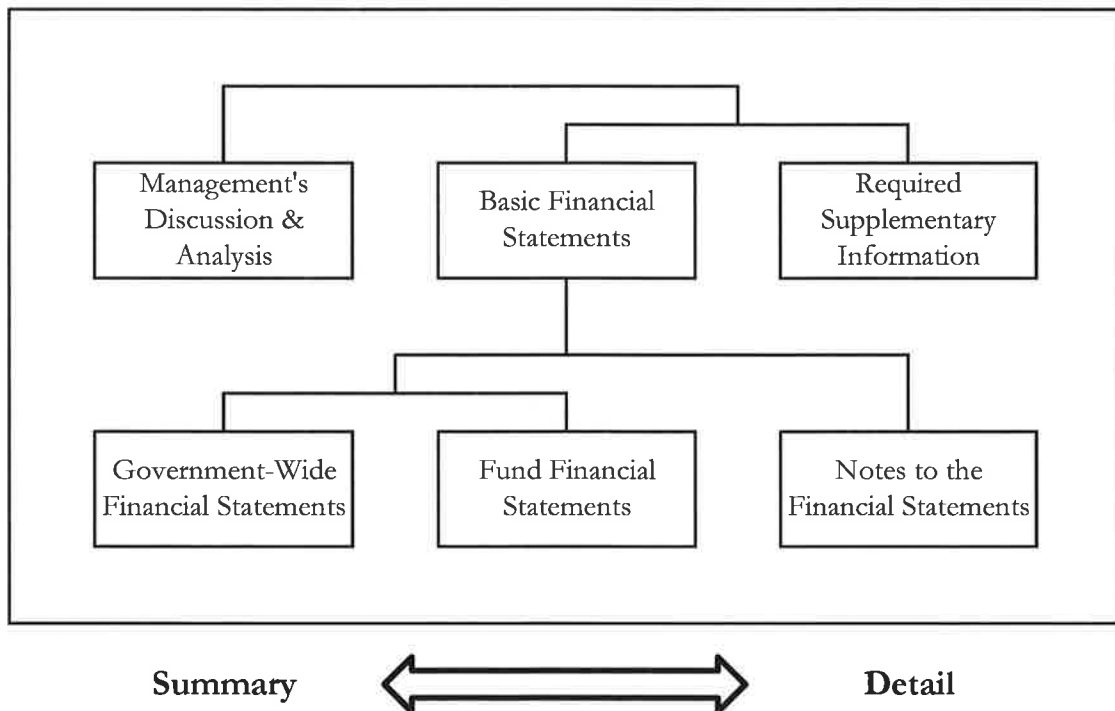
Our discussion and analysis of Orland Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2013. It should be read in conjunction with the District's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- Total net position was \$14,779,470 at June 30, 2013. This was a decrease of \$2,645,830 from the prior year.
- Overall revenues were \$19,201,544 which was less than expenses of \$21,847,374.

## OVERVIEW OF FINANCIAL STATEMENTS

### Components of the Financials Section



**ORLAND UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2013**

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

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

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

**Government-Wide Statements**

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

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

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

**ORLAND UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2013**

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

**Net Position**

The District's net position was \$14,779,470 at June 30, 2013, as reflected in Table A-1 below. Of this amount, a deficit \$120,328 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

<b>Table A-1</b>			
<b>Governmental Activities</b>			
	<b>2013</b>	<b>2012</b>	<b>Net Change</b>
<b>ASSETS</b>			
Current and other assets	\$ 8,430,600	\$ 14,819,004	\$ (6,388,404)
Capital assets	35,207,538	32,257,855	2,949,683
<b>Total Assets</b>	<b>43,638,138</b>	<b>47,076,859</b>	<b>(3,438,721)</b>
<b>LIABILITIES</b>			
Current liabilities	4,400,744	5,235,748	835,004
Long-term liabilities	24,457,924	24,415,811	(42,113)
<b>Total Liabilities</b>	<b>28,858,668</b>	<b>29,651,559</b>	<b>792,891</b>
<b>NET POSITION</b>			
Net investment in capital assets	12,916,799	13,439,342	(522,543)
Restricted	1,982,999	2,005,877	(22,878)
Unrestricted	(120,328)	1,980,081	(2,100,409)
<b>Total Net Position</b>	<b>\$ 14,779,470</b>	<b>\$ 17,425,300</b>	<b>\$ (2,645,830)</b>

**ORLAND UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2013**

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

**Changes in Net Position**

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

<b>Table A-2</b>			
<b>Governmental Activities</b>			
	<b>2013</b>	<b>2012</b>	<b>Net Change</b>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 165,698	\$ 182,003	\$ (16,305)
Operating grants and contributions	3,726,536	3,765,667	(39,131)
General revenues			
Property taxes	4,547,074	4,550,868	(3,794)
Unrestricted federal and state aid	10,256,477	10,409,228	(152,751)
Other	505,759	321,886	183,873
<b>Total Revenues</b>	<b>19,201,544</b>	<b>19,229,652</b>	<b>(28,108)</b>
<b>EXPENSES</b>			
Instruction	12,065,847	12,235,798	(169,951)
Instruction-related services	2,087,982	2,308,377	(220,395)
Pupil services	2,517,363	2,353,779	163,584
General administration	1,264,140	1,222,911	41,229
Plant services	2,409,955	2,061,861	348,094
Ancillary and community services	139,509	144,502	(4,993)
Debt service	781,091	835,356	(54,265)
Other Outgo	581,487	-	581,487
<b>Total Expenses</b>	<b>21,847,374</b>	<b>21,162,584</b>	<b>684,790</b>
<b>Change in net position</b>	<b>(2,645,830)</b>	<b>(1,932,932)</b>	<b>(712,898)</b>
<b>Net Position - Beginning</b>	<b>17,425,300</b>	<b>19,358,232</b>	<b>(1,932,932)</b>
<b>Net Position - Ending</b>	<b>\$ 14,779,470</b>	<b>\$ 17,425,300</b>	<b>\$ (2,645,830)</b>

**ORLAND UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2013**

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

**Changes in Net Position (continued)**

The total cost of all our governmental activities this year was \$21,847,374, while the net cost of services was only \$17,955,140 (refer to Table A-3). The amount that our taxpayers ultimately financed for these activities through taxes was only \$4,547,074 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions (\$13,983,013).

**Table A-3  
Costs of Services**

	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
Instruction	\$ 12,065,847	\$ 9,886,671
Instruction-related services	2,087,982	1,923,015
Pupil services	2,517,363	1,132,560
General administration	1,264,140	1,175,613
Plant services	2,409,955	2,339,891
Ancillary and community services	139,509	139,509
Debt service	781,091	781,091
Transfers to other agencies	581,487	576,790
<b>Total Expenses</b>	<b>\$ 21,847,374</b>	<b>\$ 17,955,140</b>

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$4,068,598, which is less than last year's ending fund balance of \$8,310,483. The District's General Fund had \$673,837 less in operating revenues than expenditures for the year ended June 30, 2013.

**CURRENT YEAR BUDGET 2012-13**

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

**ORLAND UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2013**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2012-13 the District had invested \$35,207,538 in capital assets, net of accumulated depreciation.

<b>Table A-4</b>			
<b>Governmental Activities</b>			
	<b>2013</b>	<b>2012</b>	<b>Net Change</b>
<b>CAPITAL ASSETS</b>			
Land	\$ 444,595	\$ 444,595	\$ -
Construction in progress	3,766,808	3,400,245	366,563
Land improvements	1,713,364	1,618,193	95,171
Buildings & improvements	39,746,338	36,325,923	3,420,415
Furniture & equipment	2,159,232	2,137,677	21,555
Accumulated depreciation	(12,622,799)	(11,668,778)	(954,021)
<b>Total Capital Assets</b>	<b>\$ 35,207,538</b>	<b>\$ 32,257,855</b>	<b>\$ 2,949,683</b>

**Long-Term Liabilities**

At year-end, the District had \$25,304,810 in long-term liabilities, an increase of 7.3% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

<b>Table A-5</b>			
<b>Governmental Activities</b>			
	<b>2013</b>	<b>2012</b>	<b>Net Change</b>
<b>LONG-TERM LIABILITIES</b>			
Total general obligation bonds	\$ 16,512,422	\$ 14,958,825	\$ 1,553,597
Total certificates of participation	5,628,427	5,624,698	3,729
Lease revenue bonds	780,000	780,000	-
Capital leases	366,520	383,399	(16,879)
Early retirement incentive	362,900	412,978	(50,078)
Compensated absences	234,802	238,239	(3,437)
Net OPEB obligation	1,419,739	1,186,957	232,782
<b>Total Long-term Liabilities</b>	<b>\$ 25,304,810</b>	<b>\$ 23,585,096</b>	<b>\$ 1,719,714</b>

**ORLAND UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2013**

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

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

Assembly Bill 97 (Chapter 47, Statutes of 2013), as amended by Senate Bills 91 and 97, enacted landmark legislation reform in California school district finance by creating the new Local Control Funding Formula (LCFF). The District is analyzing the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The State anticipates all school districts to reach the statewide targeted base funding levels by 2020-21.

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

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

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

All of these factors were considered in preparing the District's budget for the 2013-14 fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Orland Unified School District, 1320 Sixth Street; Orland, California 95963.

**ORLAND UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,882,226
Accounts receivable	3,659,380
Inventory	39,345
Prepaid expenses	810
Deferred charges	848,839
Capital assets, not depreciated	4,211,403
Capital assets, net of accumulated depreciation	30,996,135
<b>Total Assets</b>	<b>43,638,138</b>
<b>LIABILITIES</b>	
Accrued liabilities	893,329
Current loans	1,686,536
Unearned revenue	34,015
Claims liability	939,978
Long-term liabilities, current portion	846,886
Long-term liabilities, non-current portion	24,457,924
<b>Total Liabilities</b>	<b>28,858,668</b>
<b>NET POSITION</b>	
Net investment in capital assets	12,916,799
Restricted:	
Capital projects	158,759
Debt service	1,570,374
Educational programs	17,487
All others	236,379
Unrestricted	(120,328)
<b>Total Net Position</b>	<b>\$ 14,779,470</b>

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



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

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction	\$ 12,065,847	\$ -	\$ 2,179,176	\$ (9,886,671)
Instruction-related services				
Instructional supervision and administration	463,567	-	164,967	(298,600)
Instructional library, media, and technology	272,034	-	-	(272,034)
School site administration	1,352,381	-	-	(1,352,381)
Pupil services				
Home-to-school transportation	586,518	10,433	209,037	(367,048)
Food services	1,378,239	150,623	905,987	(321,629)
All other pupil services	552,606	-	108,723	(443,883)
General administration				
Centralized data processing	225,230	-	-	(225,230)
All other general administration	1,038,910	-	88,527	(950,383)
Plant services	2,409,955	4,642	65,422	(2,339,891)
Ancillary services	139,509	-	-	(139,509)
Interest on long-term debt	781,091	-	-	(781,091)
Other Outgo	581,487	-	4,697	(576,790)
<b>Total Governmental Activities</b>	<b>\$ 21,847,374</b>	<b>\$ 165,698</b>	<b>\$ 3,726,536</b>	<b>(17,955,140)</b>
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				4,020,232
Property taxes, levied for debt service				526,842
Federal and state aid not restricted for specific purposes				10,256,477
Interest and investment earnings				6,765
Interagency revenues				180,431
Miscellaneous				318,563
<b>Subtotal, General Revenue</b>				<b>15,309,310</b>
<b>CHANGE IN NET POSITION</b>				<b>(2,645,830)</b>
<b>Net Position - Beginning</b>				<b>17,425,300</b>
<b>Net Position - Ending</b>				<b>\$ 14,779,470</b>

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

**ORLAND UNIFIED SCHOOL DISTRICT**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2013**

	General Fund	Deferred Maintenance Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 124,326	\$ 423,262	\$ 298,301	\$ 948,926	\$ 1,088,263	\$ 2,883,078
Accounts receivable	3,616,443	372	1,225	686	20,103	3,638,829
Due from other funds	78,848	327,098	500,000	-	50,000	955,946
Stores inventory	-	-	-	-	39,345	39,345
Prepaid expenditures	810	-	-	-	-	810
<b>Total Assets</b>	<b>\$ 3,820,427</b>	<b>\$ 750,732</b>	<b>\$ 799,526</b>	<b>\$ 949,612</b>	<b>\$ 1,197,711</b>	<b>\$ 7,518,008</b>
<b>LIABILITIES</b>						
Accrued liabilities	\$ 642,919	\$ -	\$ 105,816	\$ -	\$ 24,178	\$ 772,913
Due to other funds	776,804	-	60,854	-	118,288	955,946
Current loans	1,686,536	-	-	-	-	1,686,536
Unearned revenue	34,015	-	-	-	-	34,015
<b>Total Liabilities</b>	<b>3,140,274</b>	<b>-</b>	<b>166,670</b>	<b>-</b>	<b>142,466</b>	<b>3,449,410</b>
<b>FUND BALANCES</b>						
Nonspendable	4,639	-	-	-	39,345	43,984
Restricted	17,487	-	632,856	949,612	1,015,900	2,615,855
Committed	-	750,732	-	-	-	750,732
Assigned	958	-	-	-	-	958
Unassigned	657,069	-	-	-	-	657,069
<b>Total Fund Balances</b>	<b>680,153</b>	<b>750,732</b>	<b>632,856</b>	<b>949,612</b>	<b>1,055,245</b>	<b>4,068,598</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,820,427</b>	<b>\$ 750,732</b>	<b>\$ 799,526</b>	<b>\$ 949,612</b>	<b>\$ 1,197,711</b>	<b>\$ 7,518,008</b>

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

**ORLAND UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT**  
**OF NET POSITION**  
**JUNE 30, 2013**

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**Total Fund Balance - Governmental Funds** \$ 4,068,598

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	\$ 47,830,337	
Accumulated depreciation	(12,622,799)	35,207,538

**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 as deferred charges on the statement of net position are:

848,839

**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:

(120,416)

**Long-term liabilities:**

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

Total general obligation bonds	\$ 16,512,422	
Total certificates of participation	5,628,427	
Lease revenue bonds	780,000	
Capital leases	366,520	
Early retirement incentive	362,900	
Compensated absences	234,802	
Net OPEB obligation	1,419,739	(25,304,810)

**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 position for internal service funds is:

79,721

**Total Net Position - Governmental Activities**

\$ 14,779,470

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

**ORLAND UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2013**

	General Fund	Deferred Maintenance Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Revenue limit sources	\$ 11,453,215	\$ -	\$ -	\$ -	\$ -	\$ 11,453,215
Federal sources	1,839,602	-	-	-	920,570	2,760,172
Other state sources	3,062,109	-	-	8,893	72,524	3,143,526
Other local sources	933,276	1,230	4,568	537,595	366,278	1,842,947
<b>Total Revenues</b>	<b>17,288,202</b>	<b>1,230</b>	<b>4,568</b>	<b>546,488</b>	<b>1,359,372</b>	<b>19,199,860</b>
<b>EXPENDITURES</b>						
Current						
Instruction	11,660,427	-	-	-	-	11,660,427
Instruction-related services						
Instructional supervision and administration	448,735	-	-	-	-	448,735
Instructional library, media, and technology	262,560	-	-	-	-	262,560
School site administration	1,314,444	-	-	-	-	1,314,444
Pupil services						
Home-to-school transportation	568,103	-	-	-	-	568,103
Food services	-	-	-	-	1,258,725	1,258,725
All other pupil services	536,977	-	-	-	-	536,977
General administration						
Centralized data processing	219,876	-	-	-	-	219,876
All other general administration	1,154,916	-	-	-	-	1,154,916
Plant services	1,635,139	32,035	209,674	-	105,043	1,981,891
Facilities acquisition and maintenance	-	294,016	3,730,671	-	21,205	4,045,892
Ancillary services	135,686	-	-	-	-	135,686
Debt service						
Principal	-	-	-	90,000	16,879	106,879
Interest and other	25,176	25,350	347,633	347,749	20,750	766,658
<b>Total Expenditures</b>	<b>17,962,039</b>	<b>351,401</b>	<b>4,287,978</b>	<b>437,749</b>	<b>1,422,602</b>	<b>24,461,769</b>
<b>Excess (Deficiency) of Revenues</b>						
<b>Over Expenditures</b>	<b>(673,837)</b>	<b>(350,171)</b>	<b>(4,283,410)</b>	<b>108,739</b>	<b>(63,230)</b>	<b>(5,261,909)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	60,854	276,804	-	-	-	337,658
Other sources	-	-	1,020,024	-	-	1,020,024
Transfers out	(276,804)	-	(60,854)	-	-	(337,658)
<b>Net Financing Sources (Uses)</b>	<b>(215,950)</b>	<b>276,804</b>	<b>959,170</b>	<b>-</b>	<b>-</b>	<b>1,020,024</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(889,787)</b>	<b>(73,367)</b>	<b>(3,324,240)</b>	<b>108,739</b>	<b>(63,230)</b>	<b>(4,241,885)</b>
<b>Fund Balance - Beginning</b>	<b>1,569,940</b>	<b>824,099</b>	<b>3,957,096</b>	<b>840,873</b>	<b>1,118,475</b>	<b>8,310,483</b>
<b>Fund Balance - Ending</b>	<b>\$ 680,153</b>	<b>\$ 750,732</b>	<b>\$ 632,856</b>	<b>\$ 949,612</b>	<b>\$ 1,055,245</b>	<b>\$ 4,068,598</b>

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

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

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**Net Change in Fund Balances - Governmental Funds** \$ (4,241,885)

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

**Capital outlay:**

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

Expenditures for capital outlay:	\$	3,936,536	
Depreciation expense:		(954,021)	2,982,515

**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:

106,879

**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:

(1,016,480)

**Debt issuance costs and deferred amounts on refunding:**

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

Debt issuance costs and deferred amounts on refunding incurred during the period:	\$	58,250	
Debt issuance costs and deferred amounts on refunding amortized for the period:		(307,009)	(248,759)

**Unmatured interest on long-term debt:**

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

(80)

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

**ORLAND UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF**  
**ACTIVITIES, continued**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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Accreted interest on long-term debt:	
In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.	(363,774)
Compensated absences:	
In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:	3,437
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:	(232,782)
Other liabilities not normally liquidated with current financial resources:	
In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were:	50,078
Cost write-off for canceled capital projects:	
If a planned capital project is canceled and will not be completed, costs previously capitalized as Work-in-progress must be written off to expense. Costs written off for canceled projects were:	(32,832)
Amortization of debt issuance 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 over the life of the debt. Amortization of premium or discount for the period is:	13,149
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 in the statement of activities. The net increase or decrease in internal service funds was:	334,704
<b>Change in Net Position of Governmental Activities</b>	<b>\$ (2,645,830)</b>

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

**ORLAND UNIFIED SCHOOL DISTRICT**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

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	<b>Governmental</b> <b>Activities</b> <b>Internal Service</b> <b>Fund</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 999,148
Accounts receivable	20,551
<b>Total Assets</b>	<b>1,019,699</b>
<b>LIABILITIES</b>	
Non-current liabilities	939,978
<b>Total Liabilities</b>	<b>939,978</b>
<b>NET POSITION</b>	
Unrestricted	79,721
<b>Total Net Position</b>	<b>\$ 79,721</b>

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

**ORLAND UNIFIED SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2013**

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	<b>Governmental Activities Internal Service Fund</b>
<b>OPERATING REVENUE</b>	
Charges to other funds	\$ 3,721,866
Other local revenues	202,361
<b>Total operating revenues</b>	<b>3,924,227</b>
<b>OPERATING EXPENSE</b>	
Professional services	3,591,207
<b>Total operating expenses</b>	<b>3,591,207</b>
<b>Operating income/(loss)</b>	<b>333,020</b>
<b>NON-OPERATING REVENUES/(EXPENSES)</b>	
Interest income	1,684
<b>Total non-operating revenues/(expenses)</b>	<b>1,684</b>
<b>CHANGE IN NET POSITION</b>	<b>334,704</b>
<b>Net Position - Beginning</b>	<b>(254,983)</b>
<b>Net Position - Ending</b>	<b>\$ 79,721</b>

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



**ORLAND UNIFIED SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2013**

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>Cash flows from operating activities</b>	
Cash received (paid) from assessments made to (from) other funds	\$ 3,910,952
Cash payments for payroll, insurance, and operating costs	(3,724,863)
Net cash provided by (used for) operating activities	186,089
<b>Cash flows from investing activities</b>	
Interest received	1,684
Net cash provided by (used for) investing activities	1,684
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>187,773</b>
<b>CASH AND CASH EQUIVALENTS</b>	
Beginning of year	811,375
End of year	\$ 999,148
<b>Reconciliation of operating income (loss) to cash provided by (used for) operating activities</b>	
Operating income (loss)	\$ 333,020
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(13,275)
Increase (decrease) in accounts payable	(29,442)
Increase (decrease) in claims liabilities	(104,214)
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 186,089</b>

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

**ORLAND UNIFIED SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

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	<u>Agency Funds</u>
	<u>Student Body</u>
	<u>Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 93,602
<b>Total Assets</b>	<u>\$ 93,602</u>
<b>LIABILITIES</b>	
Due to student groups	\$ 93,602
<b>Total Liabilities</b>	<u>\$ 93,602</u>

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

**ORLAND UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

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

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

**B. Component Units**

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

**C. Basis of Presentation**

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

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

ORLAND UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2013

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

C. Basis of Presentation (*continued*)

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

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

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

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

Major Governmental Funds

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

**Deferred Maintenance Fund:** This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections 17582–17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584 and 17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections 17582 and 17583*).

**Building Fund:** This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section 15146*) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

ORLAND UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Major Governmental Funds (continued)

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

Non-Major Governmental Funds

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

**Cafeteria Special Revenue Fund:** This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

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

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

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

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

ORLAND UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2013

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

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds (*continued*)

**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.

**Debt Service Fund:** This fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term debt.

Proprietary Funds

**Internal Service Funds:** Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

**Self-Insurance Fund:** Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code Section 17566*).

Fiduciary Funds

**Trust and Agency Funds:** Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

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

D. Basis of Accounting – Measurement Focus

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

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

**ORLAND UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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

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

**Government-Wide, Proprietary, and Fiduciary Financial Statements (continued)**

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Proprietary funds distinguish operating revenues and expenses from non operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

**Governmental Funds**

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

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

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

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

ORLAND UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

**Unearned Revenue**

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

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

**Expenses/Expenditures**

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

E. Assets, Liabilities, Fund Balance and Net Position

**Cash and Cash Equivalents**

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

**Investments**

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

**Inventories**

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



ORLAND UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

**Capital Assets**

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

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	25-50 years
Furniture and Equipment	5-15 years
Vehicles	8 years

**Interfund Balances**

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

**Compensated Absences**

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

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

ORLAND UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

**Accrued Liabilities and Long-Term Obligations**

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

**Deferred Issuance Costs, Premiums, and Discounts**

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

**Fund Balance**

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

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

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

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

ORLAND UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2013

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

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

**Fund Balance (*continued*)**

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

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

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

F. Interfund Activity

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

G. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

ORLAND UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2013

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

H. Budgetary Data

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

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

I. Property Tax

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

J. New Accounting Pronouncements

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

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

**ORLAND UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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

**J. New Accounting Pronouncements (continued)**

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

**GASB Statement No. 65** – In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Statement is effective for periods beginning after December 15, 2012. The District has not yet determined the impact on the financial statements.

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

**NOTE 2 – CASH AND INVESTMENTS**

**A. Summary of Cash and Investments**

	<b>Governmental</b>	<b>Internal Service</b>	<b>Total</b>	
	<b>Funds</b>	<b>Funds</b>	<b>Governmental</b>	<b>Fiduciary</b>
			<b>Activities</b>	<b>Funds</b>
Cash in county	\$ 2,109,321	\$ -	\$ 2,109,321	\$ -
Cash on hand and in banks	146,345	-	146,345	93,602
Cash with fiscal agent	623,583	999,148	1,622,731	-
Cash in revolving fund	3,829	-	3,829	-
<b>Total cash and cash equivalents</b>	<b>\$ 2,883,078</b>	<b>\$ 999,148</b>	<b>\$ 3,882,226</b>	<b>\$ 93,602</b>

**ORLAND UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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

**B. Policies and Practices**

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

**Investment in County Treasury** – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Glenn County Treasurer's pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District's investment in the pool is based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**C. General Authorizations**

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

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

**ORLAND UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$2,108,229 and an amortized book value of \$2,109,321.

**E. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2013, the pooled investments in the County Treasury were not rated.

**F. Custodial Credit Risk – Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2013, the District's bank balance was not exposed to custodial credit risk.

**NOTE 3 – ACCOUNTS RECEIVABLE**

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

	General Fund	Deferred Maintenance Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Internal Service Funds	Total Governmental Activities
Federal Government							
Categorical aid	\$ 452,924	\$ -	\$ -	\$ -	17,090	\$ -	\$ 470,014
State Government							
Apportionment	2,034,372	-	-	-	-	-	2,034,372
Categorical aid	399,218	-	-	-	1,423	-	400,641
Lottery	166,979	-	-	-	-	-	166,979
Local Government							
Other local sources	562,950	372	1,225	686	1,590	20,551	587,374
Total	\$ 3,616,443	\$ 372	\$ 1,225	\$ 686	\$ 20,103	\$ 20,551	\$ 3,659,380

**ORLAND UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

**NOTE 4 – CAPITAL ASSETS**

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

	Balance July 01, 2012	Additions	Deletions	Balance June 30, 2013
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 444,595	\$ -	\$ -	\$ 444,595
Construction in progress	3,400,245	3,914,981	3,548,418	3,766,808
Total Capital Assets not Being Depreciated	3,844,840	3,914,981	3,548,418	4,211,403
Capital assets being depreciated				
Land improvements	1,618,193	95,171	-	1,713,364
Buildings & improvements	36,325,923	3,420,415	-	39,746,338
Furniture & equipment	2,137,677	21,555	-	2,159,232
Total Capital Assets Being Depreciated	40,081,793	3,537,141	-	43,618,934
Less Accumulated Depreciation				
Land improvements	875,809	47,331	-	923,140
Buildings & improvements	9,100,093	798,166	-	9,898,259
Furniture & equipment	1,692,876	108,524	-	1,801,400
Total Accumulated Depreciation	11,668,778	954,021	-	12,622,799
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	<b>\$ 32,257,855</b>	<b>\$ 6,498,101</b>	<b>\$ 3,548,418</b>	<b>\$ 35,207,538</b>

Depreciation expense was allocated to governmental activities as follows:

<b>Governmental Activities</b>	
Instruction	\$ 422,886
Instructional supervision and administration	17,231
Instructional library, media, and technology	11,380
School site administration	47,213
Home-to-school transportation	20,940
Food services	38,937
All other pupil services	19,277
Centralized data processing	6,552
All other general administration	39,294
Plant services	325,562
Ancillary services	4,749
	<u>\$ 954,021</u>



**ORLAND UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

**NOTE 5 – INTERFUND TRANSACTIONS**

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

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

Due To Other Funds	Due From Other Funds				Total
	General Fund	Deferred Maintenance Fund	Building Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 276,804	\$ 500,000	\$ -	\$ 776,804
Building Fund	60,854	-	-	-	60,854
Non-Major Governmental Funds	17,994	50,294	-	50,000	118,288
<b>Total Due From Other Funds</b>	<b>\$ 78,848</b>	<b>\$ 327,098</b>	<b>\$ 500,000</b>	<b>\$ 50,000</b>	<b>\$ 955,946</b>

The Building Fund owed the General Fund for repayment of costs.	\$ 60,854
The Non-Major Cafeteria Fund owed the General Fund for repayment of costs.	17,994
The General Fund owed the Deferred Maintenance Fund for hardship funds.	276,804
The Non-Major Capital Facilities Fund owed the Deferred Maintenance Fund for temporary cash flow.	50,294
The General Fund owed the Building Fund for repayment of costs.	500,000
The Non-Major Cafeteria Fund owed the Non-Major Capital Facilities Fund for temporary cash flow.	50,000
<b>Total</b>	<b>\$ 955,946</b>

**B. Operating Transfers**

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

Interfund Transfers Out	Interfund Transfers In		
	General Fund	Deferred Maintenance Fund	Total
General Fund	\$ -	\$ 276,804	\$ 276,804
Building Fund	60,854	-	60,854
<b>Total Interfund Transfers</b>	<b>\$ 60,854</b>	<b>\$ 276,804</b>	<b>\$ 337,658</b>

The Building Fund transferred to the General Fund for repayment of costs.	\$ 60,854
The General Fund transferred to the Deferred Maintenance Fund for hardship funds.	276,804
<b>Total</b>	<b>\$ 337,658</b>

**ORLAND UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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**NOTE 6 – ACCRUED LIABILITIES**

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

	General Fund	Building Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities
Payroll	\$ 198,290	\$ -	\$ -	\$ -	\$ 198,290
Construction	-	105,816	-	-	105,816
Vendors payable	444,629	-	24,178	-	468,807
Unmatured interest	-	-	-	120,416	120,416
<b>Total</b>	<b>\$ 642,919</b>	<b>\$ 105,816</b>	<b>\$ 24,178</b>	<b>\$ 120,416</b>	<b>\$ 893,329</b>

**NOTE 7 – UNEARNED REVENUE**

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

	General Fund
Federal sources	\$ 11,285
State categorical sources	22,730
<b>Total</b>	<b>\$ 34,015</b>

**NOTE 8 – TAX AND REVENUE ANTICIPATION NOTES (TRANS)**

On July 2, 2012, the District issued \$1,430,000 of Tax and Revenue Anticipation Notes (TRANS) bearing interest at 2.00 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on March 1, 2013. By February 28, 2013, the District had paid off the notes.

On February 20, 2013, the District issued \$3,030,000 of TRANS bearing interest at 2.00 percent. The notes were issued to supplement cash flows. Interest and principal are due and payable on December 31, 2013. At June 30, 2013, the District reported \$1,686,536 as Current Loans.

**ORLAND UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

**NOTE 9 – LONG-TERM DEBT**

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

	Balance July 01, 2012	Additions	Deductions	Balance June 30, 2013	Balance Due In One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 15,769,047	\$ 1,383,798	\$ 90,000	\$ 17,062,845	\$ 233,354
Unamortized premium	310,663	-	16,878	293,785	16,878
Unamortized discount	-	(3,544)	-	(3,544)	(114)
Deferred amount on refunding	(1,120,885)	-	(280,221)	(840,664)	(280,221)
Total general obligation bonds	14,958,825	1,380,254	(173,343)	16,512,422	(30,103)
Certificates of participation	5,765,000	-	-	5,765,000	-
Unamortized discount	(140,302)	-	(3,729)	(136,573)	(3,729)
Total certificates of participation	5,624,698	-	(3,729)	5,628,427	(3,729)
Lease revenue bonds	780,000	-	-	780,000	780,000
Capital leases	383,399	-	16,879	366,520	17,733
Early retirement incentive	412,978	133,213	183,291	362,900	82,985
Compensated absences	238,239	-	3,437	234,802	-
Net OPEB obligation	1,186,957	232,782	-	1,419,739	-
<b>Total</b>	<b>\$ 23,585,096</b>	<b>\$ 1,746,249</b>	<b>\$ 26,535</b>	<b>\$ 25,304,810</b>	<b>\$ 846,886</b>

**A. General Obligation Bonds**

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2012	Additions	Deductions	Bonds Outstanding June 30, 2013
Election 2008, Series A	June 4, 2008	August 1, 2031	3.00% - 5.00%	\$ 8,000,000	\$ 7,735,000	\$ -	\$ 90,000	\$ 7,645,000
Election 2008, Series B	March 27, 2012	August 1, 2051	1.03% - 6.00%	8,034,047	8,034,047	363,774	-	8,397,821
Election 2008, Series C	March 7, 2013	August 1, 2043	3.00% - 5.55%	1,020,024	-	1,020,024	-	1,020,024
					<b>\$ 15,769,047</b>	<b>\$ 1,383,798</b>	<b>\$ 90,000</b>	<b>\$ 17,062,845</b>

**Election of 2008**

In an election held February 5, 2008, the voters authorized the District to issue and sale \$21,900,000 of principal amount of general obligation bonds. These bonds were issued for the purpose of financing the acquisition, construction, furnishing and equipping of District facilities and pay certain costs of issuance associated with the bonds. There were three issuances under this election:

- Series A, which was issued on June 4, 2008 for \$8,000,000 with interest rates ranging from 3.00% to 5.00%. The original issuance consisted of \$3,055,000 of current interest bonds and \$4,945,000 of current interest term bonds. Interest on the bonds accrues from the date of issuance and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2009. The principal balance outstanding at June 30, 2013 amounted to \$7,645,000.

**ORLAND UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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**NOTE 9 – LONG-TERM DEBT (continued)**

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

**Election of 2008 (continued)**

- Series B, which was issued on March 27, 2012 for \$8,034,047 with interest rates ranging from 1.03% to 6.00%. The bonds were issued to finance the acquisition, construction, furnishing and equipping of District facilities, pay certain outstanding bond anticipation notes of the District at maturity, advance refund certain outstanding certificates of participation of the District, and pay certain costs of issuance. The original issuance consisted of \$2,553,978 of capital appreciation bonds and \$5,480,069 of convertible capital appreciation bonds. The capital appreciation bonds and the convertible capital appreciation bonds, initially, accrete interest from their date of delivery, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2012. From and after their conversion date, the convertible capital appreciation bonds will become current interest bonds upon which interest is payable on February 1 and August 1 of each year through maturity. The principal balance outstanding at June 30, 2013 amounted to \$8,397,821.

The proceeds used to refund certain outstanding certificates of participation of the District, were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded certificates. As a result, the refunded certificates are considered to be defeased, and the related liability for the certificates has been removed from the District's liabilities. Amounts paid to the refunded certificate escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred charges on refunding of \$840,664 remain to be amortized. As of June 30, 2013, the principal balance outstanding on the defeased debt amounted to \$335,000.

- Series C, which was issued on March 7, 2013 for \$1,020,024 with interest rates ranging from 3.00% to 5.55%. The bonds were issued to finance and refinance the acquisition, construction, furnishing and equipping of District facilities and to pay certain costs of issuance. The original issuance consisted of \$160,000 of current interest term bonds and \$860,024 of convertible capital appreciation term bonds. Interest on the current interest term bonds is payable on February 1 and August 1 of each year, commencing August 1, 2013. The convertible capital appreciation term bonds, initially, accrete interest from their date of delivery, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2013. The principal balance outstanding at June 30, 2013 amounted to \$1,020,024.

**ORLAND UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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**NOTE 9 – LONG-TERM DEBT (continued)**

**B. Debt Service Requirements to Maturity – Bonds**

The bonds mature through 2052 as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 233,354	\$ 350,108	\$ 583,462
2015	260,334	349,739	610,073
2016	272,599	347,293	619,892
2017	289,844	342,879	632,723
2018	316,667	342,587	659,254
2019 - 2023	2,070,370	1,668,393	3,738,763
2024 - 2028	3,088,230	1,477,389	4,565,619
2029 - 2033	3,972,799	1,730,924	5,703,723
2034 - 2038	563,887	1,031,113	1,595,000
2039 - 2043	1,261,871	2,723,129	3,985,000
2044 - 2048	1,915,094	4,434,906	6,350,000
2049 - 2052	2,454,022	5,715,978	8,170,000
Accretion	363,774	(363,774)	-
Total	\$ 17,062,845	\$ 20,150,664	\$ 37,213,509

**C. Certificates of Participation (COPs)**

<u>Series</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Certificates Outstanding July 01, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Certificates Outstanding June 30, 2013</u>
2010 Certificates	December 7, 2010	November 1, 2040	3.00% - 6.00%	\$ 6,100,000	\$ 5,765,000	\$ -	\$ -	\$ 5,765,000
					\$ 5,765,000	\$ -	\$ -	\$ 5,765,000

On December 7, 2010, the District issued \$6,100,000 certificates of participation with interest rates ranging from 3.00% to 6.00%. The certificates were issued for the purpose of assisting the District in new construction and other capital enhancements. On March 27, 2012 the District issued Election 2008, Series B bonds to partially refund certain outstanding certificates. At June 30, 2013, the principal balance outstanding was \$5,765,000.

**ORLAND UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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**NOTE 9 – LONG-TERM DEBT (continued)**

**D. Debt Service Requirements to Maturity – Certificates**

The certificates mature through 2041 as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ -	\$ -
2015	-	-	-
2016	-	-	-
2017	120,000	321,588	441,588
2018	125,000	317,066	442,066
2019 - 2023	705,000	1,498,384	2,203,384
2024 - 2028	895,000	1,295,319	2,190,319
2029 - 2033	1,175,000	1,002,806	2,177,806
2034 - 2038	1,565,000	599,250	2,164,250
2039 - 2041	1,180,000	108,900	1,288,900
Total	\$ 5,765,000	\$ 5,143,313	\$ 10,908,313

**E. Lease Revenue Bonds**

On April 1, 2010, the District issued \$780,000 of lease revenue notes for the purpose of assisting the District in financing the improvement of various educational facilities of the District. The District has received an allocation of State funding for a Deferred Maintenance Program Extreme Hardship grant under California Education Code, Section 42605, and intends to use the funds to pay the principal of the Notes. The remaining obligation under the lease revenue notes as of June 30, 2013 is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 780,000	\$ 25,350	\$ 805,350
Total	\$ 780,000	\$ 25,350	\$ 805,350

**ORLAND UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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**NOTE 9 – LONG-TERM DEBT (continued)**

**F. Capital Leases**

On August 21, 2005, The District entered into a capital lease agreement with Governmental Capital Corporation, a Texas Corporation, for the lease of twenty-two modular structures. The remaining obligation under the capital lease as of June 30, 2013 is as follows:

<u>Year Ended June 30,</u>	<u>Lease Payment</u>
2014	\$ 35,840
2015	35,840
2016	35,840
2017	35,840
2018	35,840
2019 - 2023	179,200
2024 - 2028	161,280
Total minimum lease payments	519,680
Less amount representing interest	(153,160)
Present value of minimum lease payments	<u>\$ 366,520</u>

**G. Early Retirement Incentives**

**Supplemental Early Retirement Plan (SERP)**

During the fiscal year ended June 30, 2013, the District entered into a supplementary retirement plan whereby 6 employees of the District elected to take early retirement in exchange for supplementary retirement benefits.

**CalSTRS Retirement**

During the fiscal year ended June 30, 2012, the District entered into a supplementary retirement plan with the California State Teachers' Retirement System (CalSTRS) whereby 6 employees of the District elected to take early retirement in exchange for supplementary retirement benefits.

Future payments for the retirement plans are as follows:

<u>Year Ended June 30,</u>	<u>Payment</u>
2014	\$ 82,985
2015	64,256
2016	61,713
2017	59,170
2018	56,627
2019 - 2020	109,351
Total minimum payments	434,102
Less amount representing interest	(71,202)
Present value of minimum payments	<u>\$ 362,900</u>

**ORLAND UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

**NOTE 9 – LONG-TERM DEBT (continued)**

**H. Compensated Absences**

Total unpaid employee compensated absences as of June 30, 2013 amounted to \$234,802. This amount is included as part of long-term liabilities in the government-wide financial statements.

**I. Other Postemployment Benefits**

The District follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The District's annual required contribution for the year ended June 30, 2013, was \$639,106 with net interest and other adjustments of (\$22,753) for a net annual OPEB cost of \$616,353 and contributions made by the District during the year were \$383,571, which resulted in an increase to net OPEB obligation of \$232,782. The ending OPEB balance at June 30, 2013 was \$1,419,739. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefit plan.

**NOTE 10 – FUND BALANCES**

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

	General Fund	Deferred Maintenance Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable						
Revolving cash	\$ 3,829	\$ -	\$ -	\$ -	\$ -	\$ 3,829
Stores inventory	-	-	-	-	39,345	39,345
Prepaid expenditures	810	-	-	-	-	810
Total non-spendable	4,639	-	-	-	39,345	43,984
Restricted						
Educational programs	17,487	-	-	-	-	17,487
Capital projects	-	-	632,856	-	158,759	791,615
Debt service	-	-	-	949,612	620,762	1,570,374
All others	-	-	-	-	236,379	236,379
Total restricted	17,487	-	632,856	949,612	1,015,900	2,615,855
Committed						
Deferred maintenance	-	750,732	-	-	-	750,732
Total committed	-	750,732	-	-	-	750,732
Assigned						
Special Reserve Fund for Other Than Capital Outlay	333	-	-	-	-	333
Other assignments	625	-	-	-	-	625
Total assigned	958	-	-	-	-	958
Unassigned						
Reserve for economic uncertainties	657,069	-	-	-	-	657,069
Total unassigned	657,069	-	-	-	-	657,069
Total	\$ 680,153	\$ 750,732	\$ 632,856	\$ 949,612	\$ 1,055,245	\$ 4,068,598



**ORLAND UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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**NOTE 10 – FUND BALANCES (continued)**

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3 percent of General Fund expenditures and other financing uses.

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

**A. Plan Description and Contribution Information**

Orland Unified School District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical, dental, and vision insurance benefits to eligible retirees. The District implemented Governmental Accounting Standards Board Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans, in 2008-09.

Membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	26
Active plan members	194
Total*	<u>220</u>
Number of participating employers	1

\*As of July 1, 2010 actuarial study

The District provides postemployment health care benefits to all employees who have rendered at least 10 years of service with the District, and who have attained age 55.

**B. Funding Policy**

The District will pay the medical insurance premium for qualified retired employees until the earlier of the death of the retiree, the retiree reaches the age of 65, or the retiree becomes Medicare eligible. Expenditures for the retiree health care benefits are recognized as the District pays the premiums. During the fiscal year ended June 30, 2013, expenditures of \$383,571 were recognized for postemployment health care.

As of June 30, 2013, the District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors.

**ORLAND UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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

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

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

Annual required contribution	\$	639,106
Interest on net OPEB obligation		75,583
Adjustment to annual required contribution		(98,336)
Annual OPEB cost (expense)		<u>616,353</u>
Contributions made		<u>(383,571)</u>
Increase (decrease) in net OPEB obligation		232,782
Net OPEB obligation, beginning of the year		1,186,957
Net OPEB obligation, end of the year	\$	<u>1,419,739</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2013 and the preceding two years were as follows:

<b>Year Ended June 30,</b>	<b>Annual OPEB Cost</b>	<b>Percentage Contributed</b>	<b>Net OPEB Obligation</b>
2013	\$ 616,353	62%	\$ 1,419,739
2012	\$ 620,480	56%	\$ 1,186,957
2011	\$ 758,148	70%	\$ 912,803

**D. Funded Status and Funding Progress**

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

<b>Actuarial Valuation Date</b>	<b>Actuarial Valuation of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
July 1, 2010	\$ -	\$ 4,982,145	\$ 4,982,145	0%	\$ 10,447,959	48%

ORLAND UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2013

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

**D. Funded Status and Funding Progress (continued)**

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

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**E. Actuarial Methods and Assumptions**

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

Additional information as of the latest actuarial valuation follows:

Valuation Date	7/1/2010
Actuarial Cost Method	Projected Unit Credit
Amortization Method	30-year level dollar, open
Remaining Amortization Period	27
Asset Valuation	\$ -
Actuarial Assumptions:	
Investment rate of return	5.0%
Discount rate	5.0%
Health care trend rate	8.0%
Inflation rate	5.0%

**ORLAND UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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**NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS**

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

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

**Plan Description**

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd.; Sacramento, CA 95826.

**Funding Policy**

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2012-13	\$ 726,370	100%
2011-12	\$ 614,428	100%
2010-11	\$ 600,314	100%

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$376,598 to CalSTRS (5.176% of 2010-11 creditable compensation subject to CalSTRS).

**ORLAND UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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

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

**Plan Description**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street; Sacramento, CA 95811.

**Funding Policy**

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

	Contribution	Percent of Required Contribution
2012-13	\$ 309,234	100%
2011-12	\$ 284,572	100%
2010-11	\$ 279,382	100%

**ORLAND UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2013.

**B. Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2013.

**C. Construction Commitments**

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

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

The District is a member of two joint powers authorities (JPAs). The first is the Golden State Risk Management Authority (GRSMA) and the other is the Schools Excess Liability Fund (SELF). The JPAs arrange for and provide property and liability insurance for member districts. The relationship is such that the JPAs are not component units of the District for financial reporting purposes.

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

**NOTE 15 – SUBSEQUENT EVENTS**

On July 1, 2013, the District issued \$2,180,000 of Tax and Revenue Anticipation Notes bearing interest at 2.00 percent. The notes were issued to supplement cash flows. Interest and principal are due and payable on May 1, 2014.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**ORLAND UNIFIED SCHOOL DISTRICT  
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
Revenue limit sources	\$ 11,366,050	\$ 11,366,050	\$ 11,453,215	\$ 87,165
Federal sources	1,616,151	1,982,767	1,839,602	(143,165)
Other state sources	2,533,452	2,560,229	2,685,511	125,282
Other local sources	862,090	863,490	933,275	69,785
Total Revenues	16,377,743	16,772,536	16,911,603	139,067
EXPENDITURES				
Certificated salaries	7,428,488	7,649,319	7,794,377	(145,058)
Classified salaries	2,414,864	2,435,667	2,525,075	(89,408)
Employee benefits	4,410,264	4,620,003	4,664,673	(44,670)
Books and supplies	636,040	746,401	725,104	21,297
Services and other operating expenditures	1,388,969	1,911,341	1,851,036	60,305
Other outgo				
Excluding transfers of indirect costs	-	-	25,176	(25,176)
Total Expenditures	16,278,625	17,362,731	17,585,441	(222,710)
Excess (Deficiency) of Revenues				
Over Expenditures	99,118	(590,195)	(673,838)	(83,643)
Other Financing Sources (Uses)				
Transfers in	60,854	60,854	60,854	-
Transfers out	(276,804)	(276,804)	(276,804)	-
Net Financing Sources (Uses)	(215,950)	(215,950)	(215,950)	-
NET CHANGE IN FUND BALANCE	(116,832)	(806,145)	(889,788)	(83,643)
Fund Balance - Beginning	1,569,608	1,569,608	1,569,608	-
Fund Balance - Ending	\$ 1,452,776	\$ 763,463	\$ 679,820	\$ (83,643)

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

- On behalf payments of \$376,598 are not included in the actual revenues and expenditures reported in this schedule.
- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

See accompanying note to required supplementary information.



**ORLAND UNIFIED SCHOOL DISTRICT  
DEFERRED MAINTENANCE – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances -</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final to Actual</b>
<b>REVENUES</b>				
Other local sources	\$ 100	\$ 100	\$ 1,230	\$ 1,130
<b>Total Revenues</b>	<b>100</b>	<b>100</b>	<b>1,230</b>	<b>1,130</b>
<b>EXPENDITURES</b>				
Books and supplies	2,000	2,726	2,726	-
Services and other operating expenditures	-	30,013	30,012	1
Capital outlay	150,000	255,683	293,313	(37,630)
Other outgo				
Excluding transfers of indirect costs	25,350	25,350	25,350	-
<b>Total Expenditures</b>	<b>177,350</b>	<b>313,772</b>	<b>351,401</b>	<b>(37,629)</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>(177,250)</b>	<b>(313,672)</b>	<b>(350,171)</b>	<b>(36,499)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	276,804	276,804	276,804	-
<b>Net Financing Sources (Uses)</b>	<b>276,804</b>	<b>276,804</b>	<b>276,804</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>99,554</b>	<b>(36,868)</b>	<b>(73,367)</b>	<b>(36,499)</b>
<b>Fund Balance - Beginning</b>	<b>824,099</b>	<b>824,099</b>	<b>824,099</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 923,653</b>	<b>\$ 787,231</b>	<b>\$ 750,732</b>	<b>\$ (36,499)</b>

See accompanying note to required supplementary information.

**ORLAND UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2013**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Valuation of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
July 1, 2010	\$ -	\$ 4,982,145	\$ 4,982,145	0%	\$ 10,447,959	48%
July 1, 2008	\$ -	\$ 6,085,972	\$ 6,085,972	0%	\$ 10,155,686	60%

See accompanying note to required supplementary information.

**ORLAND UNIFIED SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

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

**Schedule of Funding Progress**

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

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

For the year ended June 30, 2013, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Certificated salaries	\$ 7,649,319	\$ 7,794,377	\$ 145,058
Classified salaries	\$ 2,435,667	\$ 2,525,075	\$ 89,408
Employee benefits	\$ 4,620,003	\$ 4,664,673	\$ 44,670
Other outgo			
Excluding transfers of indirect costs	\$ -	\$ 25,176	\$ 25,176
Deferred Maintenance Fund			
Capital outlay	\$ 255,683	\$ 293,313	\$ 37,630

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**SUPPLEMENTARY  
INFORMATION**

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**ORLAND UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster</b>	<b>CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U. S. DEPARTMENT OF EDUCATION:</b>			
<i>Passed through California Department of Education:</i>			
Title I, Part A Cluster			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 554,543
Title I, Part A, Program Improvement LEA Corrective Action, Moderate	84.010	14956	307,793
Subtotal Title I, Part A Cluster			<u>862,336</u>
Title II, Part A, Teacher Quality	84.367A	14341	140,694
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	77,560
Title VI, Part B, Rural & Low Income School Program	84.358	14356	75,731
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	284,191
<b>Total U. S. Department of Education</b>			<u><u>1,440,512</u></u>
<b>U. S. DEPARTMENT OF AGRICULTURE:</b>			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program	10.553	23668	204,810
National School Lunch Program	10.555	13391	630,862
Meal Supplements	10.555	*	25,039
USDA Commodities	10.555	*	59,859
Subtotal Child Nutrition Cluster			<u>920,570</u>
Forest Reserve Funds	10.665	10044	23,613
<b>Total U. S. Department of Agriculture</b>			<u><u>944,183</u></u>
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>			
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Administrative Activities (MAA)	93.778	10060	375,463
<b>Total U. S. Department of Health &amp; Human Services</b>			<u><u>375,463</u></u>
<b>U.S. DEPARTMENT OF THE INTERIOR</b>			
<i>Passed through Glenn County Office of Education</i>			
Payments in Lieu of Taxes - Fish & Wildlife	15.226	*	14
<b>Total U. S. Department of the Interior</b>			<u>14</u>
<b>Total Federal Expenditures</b>			<u><u>\$ 2,760,172</u></u>

\* - PCS Number not available or not applicable

See accompanying note to supplementary information.

**ORLAND UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
FOR THE YEAR ENDED JUNE 30, 2013**

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	<b>Second Period Report</b>	<b>Annual Report</b>
<b>ELEMENTARY</b>		
Kindergarten	149	148
First through third	452	453
Fourth through sixth	441	442
Seventh through eighth	305	306
Community day school	1	1
Special education	39	40
Total Elementary	1,387	1,390
<b>SECONDARY</b>		
Regular classes	639	636
Continuation education	32	32
Community day school	4	5
Total Secondary	675	673
Average Daily Attendance Total	2,062	2,063

See accompanying note to supplementary information.

**ORLAND UNIFIED SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2013**

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Grade Level	1982-83		1986-87		2012-13 Actual Minutes	Number of Days	Status
	Actual Minutes	Actual Minutes Reduced	Minutes Requirement	Minutes Requirement Reduced			
Kindergarten	31,500	30,625	36,000	35,000	37,850	175	Complied
Grade 1	43,450	42,243	50,400	49,000	49,280	175	Complied
Grade 2	43,450	42,243	50,400	49,000	49,280	175	Complied
Grade 3	43,450	42,243	50,400	49,000	50,269	175	Complied
Grade 4	50,800	49,389	54,000	52,500	52,524	175	Complied
Grade 5	50,800	49,389	54,000	52,500	52,624	175	Complied
Grade 6	50,800	49,389	54,000	52,500	57,519	175	Complied
Grade 7	50,800	49,389	54,000	52,500	57,519	175	Complied
Grade 8	50,800	49,389	54,000	52,500	57,519	175	Complied
Grade 9	64,000	62,222	64,800	63,000	63,075	175	Complied
Grade 10	64,000	62,222	64,800	63,000	63,075	175	Complied
Grade 11	64,000	62,222	64,800	63,000	63,075	175	Complied
Grade 12	64,000	62,222	64,800	63,000	63,075	175	Complied

See accompanying note to supplementary information.

**ORLAND UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

	2014 (Budget)	2013	2012	2011
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 16,993,284	\$ 16,972,457	\$ 17,318,446	\$ 17,008,541
Expenditures And Other Financing Uses	17,151,381	17,862,245	17,245,230	16,424,288
Net change in Fund Balance	<u>\$ (158,097)</u>	<u>\$ (889,788)</u>	<u>\$ 73,216</u>	<u>\$ 584,253</u>
Ending Fund Balance	<u>\$ 521,723</u>	<u>\$ 679,820</u>	<u>\$ 1,569,609</u>	<u>\$ 1,496,393</u>
Available Reserves*	<u>\$ 516,872</u>	<u>\$ 657,069</u>	<u>\$ 1,253,164</u>	<u>\$ 483,786</u>
Available Reserves As A Percentage Of Outgo	<u>3.01%</u>	<u>3.68%</u>	<u>7.27%</u>	<u>2.95%</u>
Long-term Debt	<u>\$ 24,457,924</u>	<u>\$ 25,304,810</u>	<u>\$ 24,705,981</u>	<u>\$ 20,788,960</u>
Average Daily Attendance At P-2	<u>2,062</u>	<u>2,062</u>	<u>2,094</u>	<u>2,097</u>

The General Fund balance has decreased by \$816,573 over the past two years. The fiscal year 2013-14 budget projects a further decrease of \$158,097. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2013-14 fiscal year. Total long term obligations have increased by \$4,515,850 over the past two years.

Average daily attendance has decreased by 35 ADA over the past two years. No change in ADA is anticipated during the 2013-14 fiscal year.

\*Available reserves consist of all unassigned fund balance within the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

\*\*The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54. On behalf payments of \$376,598 are also not included in the actual revenues and expenditures reported in this schedule.



**ORLAND UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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	General Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Special Reserve Fund for Capital Outlay Projects	Debt Service Fund	Self Insurance Fund
June 30, 2013, annual financial and budget report fund balance	\$ 679,820	\$ 333	\$ -	\$ -	\$ 68,592
Adjustments and reclassifications:					
Increase (decrease) in total fund balances:					
Fund balance transfer (GASB54)	333	(333)	-	-	-
Increase (decrease):					
Cash and cash equivalents	-	-	2,821	620,762	(4,956)
Accounts receivable	-	-	-	-	(50,221)
(Increase)/decrease in:					
Claims liability	-	-	-	-	66,306
Net adjustments and reclassifications	333	(333)	2,821	620,762	11,129
June 30, 2013, audited financial statement fund balance	\$ 680,153	\$ -	\$ 2,821	\$ 620,762	\$ 79,721

See accompanying note to supplementary information.

**ORLAND UNIFIED SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
JUNE 30, 2013**

	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Debt Service Fund	Non-Major Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 304,207	\$ 159,839	\$ 634	\$ 2,821	\$ 620,762	\$ 1,088,263
Accounts receivable	19,977	125	1	-	-	20,103
Due from other funds	-	50,000	-	-	-	50,000
Stores inventory	39,345	-	-	-	-	39,345
<b>Total Assets</b>	<b>\$ 363,529</b>	<b>\$ 209,964</b>	<b>\$ 635</b>	<b>\$ 2,821</b>	<b>\$ 620,762</b>	<b>\$ 1,197,711</b>
<b>LIABILITIES</b>						
Accrued liabilities	\$ 19,811	\$ 4,367	\$ -	\$ -	\$ -	\$ 24,178
Due to other funds	67,994	50,294	-	-	-	118,288
<b>Total Liabilities</b>	<b>87,805</b>	<b>54,661</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>142,466</b>
<b>FUND BALANCES</b>						
Non-spendable	39,345	-	-	-	-	39,345
Restricted	236,379	155,303	635	2,821	620,762	1,015,900
<b>Total Fund Balances</b>	<b>275,724</b>	<b>155,303</b>	<b>635</b>	<b>2,821</b>	<b>620,762</b>	<b>1,055,245</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 363,529</b>	<b>\$ 209,964</b>	<b>\$ 635</b>	<b>\$ 2,821</b>	<b>\$ 620,762</b>	<b>\$ 1,197,711</b>

See accompanying note to supplementary information.

**ORLAND UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Debt Service Fund	Non-Major Governmental Funds
<b>REVENUES</b>						
Federal sources	\$ 920,570	\$ -	\$ -	\$ -	\$ -	\$ 920,570
Other state sources	72,524	-	-	-	-	72,524
Other local sources	155,742	210,441	2	-	93	366,278
<b>Total Revenues</b>	<b>1,148,836</b>	<b>210,441</b>	<b>2</b>	<b>-</b>	<b>93</b>	<b>1,359,372</b>
<b>EXPENDITURES</b>						
Current						
Pupil services						
Food services	1,258,725	-	-	-	-	1,258,725
Plant services	15,523	89,520	-	-	-	105,043
Facilities acquisition and maintenance	21,205	-	-	-	-	21,205
Debt service						
Principal	-	16,879	-	-	-	16,879
Interest and other	-	20,750	-	-	-	20,750
<b>Total Expenditures</b>	<b>1,295,453</b>	<b>127,149</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,422,602</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(146,617)</b>	<b>83,292</b>	<b>2</b>	<b>-</b>	<b>93</b>	<b>(63,230)</b>
<b>Fund Balance - Beginning</b>	<b>422,341</b>	<b>72,011</b>	<b>633</b>	<b>2,821</b>	<b>620,669</b>	<b>1,118,475</b>
<b>Fund Balance - Ending</b>	<b>\$ 275,724</b>	<b>\$ 155,303</b>	<b>\$ 635</b>	<b>\$ 2,821</b>	<b>\$ 620,762</b>	<b>\$ 1,055,245</b>

See accompanying note to supplementary information.

ORLAND UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2013

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NOTE 1 – PURPOSE OF SCHEDULES

**Schedule of Expenditures of Federal Awards**

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

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

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

**Schedule of Instructional Time**

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

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by *Education Code Section 46201*. Through 2014-15, the instructional day and minute requirements have been reduced pursuant to *Education Code Section 46201.2*.

**Schedule of Financial Trends and Analysis**

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

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

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

**Combining Statements – Non-Major Governmental Funds**

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

**Local Education Agency Organization Structure**

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration. (Located in the front of the audit report).

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**OTHER INDEPENDENT  
AUDITORS' REPORTS**

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

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John Dominguez, CPA, CFE

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Independent Auditors' Report

Governing Board  
Orland Unified School District  
Orland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Orland Unified School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Orland Unified School District's basic financial statements, and have issued our report thereon dated December 12, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Orland 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 Orland Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Orland 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs that we consider to be significant deficiencies. (Finding #2013-1)

### **Compliance and Other Matters**

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

### **Orland Unified School District's Response to Findings**

Orland Unified School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Orland 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.



San Diego, California  
December 12, 2013



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

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Independent Auditors' Report

Governing Board  
Orland Unified School District  
Orland, California

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

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



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

In our opinion, Orland Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

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

Management of Orland 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 Orland 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 Orland Unified School District's internal control over compliance.

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

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

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

*Christy White Associates*

San Diego, California  
December 12, 2013



## REPORT ON STATE COMPLIANCE

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### Independent Auditors' Report

Governing Board  
Orland Unified School District  
Orland, California

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

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

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

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

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

Our responsibility is to express an opinion on compliance for each of Orland Unified School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2012-13*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Orland 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 with the requirements referred to above. However, our audit does not provide a legal determination of Orland Unified School District's compliance with those requirements.

### ***Opinion on State Compliance***

In our opinion, Orland Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2013.

### ***Procedures Performed***

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

<b>PROGRAM NAME</b>	<b>PROCEDURES IN AUDIT GUIDE</b>	<b>PROCEDURES PERFORMED</b>
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time for:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Instructional Materials, general requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Class Size Reduction (including in charter schools):		
General requirements	7	Yes
Option One	3	Yes
Option Two	4	Not Applicable
Districts or charter schools with only one school serving K - 3	4	Not Applicable

*(Continued on the next page)*

*Procedures Performed (continued)*

PROGRAM NAME	PROCEDURES IN AUDIT GUIDE	PROCEDURES PERFORMED
After School Education and Safety Program:		
General requirements	4	Not Applicable
After school	5	Not Applicable
Before school	6	Not Applicable
Contemporaneous Records of Attendance; for charter schools	1	Not Applicable
Mode of Instruction; for charter schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	3	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	4	Not Applicable

*Christy White Associates*

San Diego, California  
December 12, 2013

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**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

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**ORLAND UNIFIED SCHOOL DISTRICT  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>	
84.010	Title I, Part A Cluster	
Dollar threshold used to distinguish between Type A and Type B programs:	\$	300,000
Auditee qualified as low-risk auditee?		Yes

**STATE AWARDS**

Internal control over state programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued on compliance for state programs:	Unmodified

ORLAND UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013

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FIVE DIGIT CODE

20000  
30000

AB 3627 FINDING TYPE

Inventory of Equipment  
Internal Control

**FINDING #2013-1: INTERNAL CONTROLS – CASH DISBURSEMENTS (30000)**

**Criteria:** Expenditures going through the purchasing process should obtain proper approval to ensure funds are encumbered prior to purchases.

**Condition:** During our testing of internal control over cash disbursements, it was noted that not all expenditures made by the District are obtaining proper pre-approval prior to expenses being made.

**Cause:** Insufficient controls over purchasing.

**Effect:** The possibility to circumvent the purchasing process and not encumber funds.

**Context/Perspective:** Four (4) out of 25 cash disbursements.

**Questioned Costs:** None

**Recommendation:** We recommend that the District revise internal controls and ensure that all expenditures made by the District are pre-approved prior to the expenses being made.

**District Response:** The District has notified the Food Service Director that all requisitions for food and supplies must be completed before orders can be placed, therefore making sure that adequate funds are available. Open purchase orders are in place for all ongoing purchases.

ORLAND UNIFIED SCHOOL DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013

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FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

*There were no federal award findings or questioned costs for the year ended June 30, 2013.*



**ORLAND UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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**FIVE DIGIT CODE**

10000  
40000  
41000  
60000  
61000  
70000  
71000  
72000

**AB 3627 FINDING TYPE**

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

*There were no state award findings or questioned costs for the year ended June 30, 2013.*

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

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**FINDING #2012-01: DISTRICT CREDIT CARDS (30000)**

**Criteria:** The District should maintain and enforce gas card and credit card policies that contain procedures for proper approvals and uses.

**Condition:** The policies currently in place regarding the usage of District gas cards and credit cards are not effective to ensure that:

- Only authorized users are provided with and may use the credit cards
- Deadlines for submitting proper expenditure support are met
- Prior approvals for non-fuel purchases are obtained
- Business Service department is monitoring monthly expenditures for appropriateness and reasonableness

**Perspective:** The following exceptions were noted during the testing of gas cards and credit cards:

- 3/5 credit card purchases tested did not have itemized receipts to support the purchase
- 3/5 gas card purchases did not have evidence of approval for the purchase.

**Cause:** Policies in place are not adequately designed or implemented.

**Effect:** There is a risk of fraud and abuse of District funds by unauthorized credit card purchases.

**Recommendations:** We recommend that the following policies be established and implemented regarding the usage of District credit cards:

- Maintain a listing of authorized users for the District credit card types and update the listing frequently
- Receipts for non-gas credit card purchases should be turned in timely for Business Services department records
- Prior approvals for credit card purchases over \$500 should be obtained
- The Business Services department should monitor District credit card statements monthly to ensure the appropriateness and reasonableness of charges

**District Response:** All District credit card statements and purchases are monitored monthly to ensure the appropriateness and reasonableness of charges. The District will establish an open purchase order for fuel purchases, therefore encumbering the necessary funds. The District will also require all conference lodging paperwork to be submitted at the time of the conference.

**Current Status:** Implemented.

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

**FINDING #2012-02: INCENTIVE FOR LONGER INSTRUCTIONAL DAY (40000)**

**Criteria:** To qualify for instructional time incentive funding, the District must offer at least the amount of instructional time specified in *California Education Code* Section 46201.

**Condition:** During the 2008-09 fiscal year, the District was not in compliance with the instructional time requirements for grades nine through twelve. In response to the audit finding that year, the District requested a penalty waiver from the California Department of Education (CDE). The terms of the waiver included a requirement that the District increase the instructional time offering for grades nine through twelve for two years (2010-11 and 2011-12). The required instructional time offering for each of those two years should have been at least 66,025 minutes per year for grades nine through twelve (64,800 minutes required amount plus the 2008-09 deficiency of 1,225 minutes). During the 2011-12 fiscal year, the District did not comply with the terms of this waiver and only offered 64,285 minutes for grades nine through twelve.

**Questioned Costs:**

**Instructional Time Penalty Calculation**

ADA	X	Deficit	Base Revenue Limit	=	Apportionment	
627.50			\$5,758.63			\$3,613,540.33
# of Minutes Short	÷	# of Required Minutes		=	Percentage of Minutes Not Offered	
1,225		64,800			1.89%	
Apportionment X Percentage of Minutes Not Offered				=	Penalty	
\$3,613,540.33			1.89%			\$68,295.91

**Cause:** Because of the change in instructional time requirements during the fiscal year 2011-12, the District used the new reduction factor in determining the required minimum offering for grades nine through twelve (60,480 minutes) and added their deficiency (1,225 minutes) to that new required minimum for a total minimum offering of 61,705 minutes.

**Effect:** The District was not in compliance with the terms of the CDE approved waiver.

**Recommendation:** The District should comply with the requirements of the waiver and work with CDE to determine the appropriate course of action.

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

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FINDING #2012-02: INCENTIVE FOR LONGER INSTRUCTIONAL DAY (40000) (continued)

**District Response:** The District will work with CDE to comply with the waiver requirements.

**Current Year Status:** Pending CDE direction.