



Lawndale Elementary School District

Annual Financial Report

June 30, 2018

LAWNDALE ELEMENTARY SCHOOL DISTRICT

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FINANCIAL SECTION



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Lawndale Elementary School District
Lawndale, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lawndale Elementary School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 14, Budgetary Comparison Schedules on pages 71 through 72, Schedule of Changes in the District's Total OPEB Liability and Related Ratios on page 73, Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program on page 74, Schedule of the District's Proportionate Share of the Net Pension Liability on page 75, and the Schedule of District Contributions on page 76, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018, on our consideration of the 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 solely 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 the effectiveness of the District's 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 the District's internal control over financial reporting and compliance.

Vanneth Tuma, Day & Co, LLP

Rancho Cucamonga, California
December 12, 2018

This section of Lawndale Elementary School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018, with comparative information from the fiscal year ending June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

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

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

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

The Primary unit of the government is the Lawndale Elementary School District.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

In the *Statement of Net Position* and the *Statement of Activities*, we separate the District activities as follows:

Governmental Activities - Most of the District's services are reported in this category. This includes the education of kindergarten through grade eight students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

Business-Type Activities - The District charges fees to help it cover the costs of certain services it provides. The District's Child Care programs and services are included here.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like the associated student body activities. The District's fiduciary activities are reported in the *Fiduciary Funds Statement of Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

FINANCIAL HIGHLIGHTS

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$(19,788,375) for governmental activities for the fiscal year ended June 30, 2018. Of this amount, \$(49,015,258) was unrestricted. Restricted net position are reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental and business-type activities.

Table 1

	Governmental Activities (as restated)		Business-Type Activities		School District Activities	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 71,068,900	\$ 67,699,775	\$ 528,238	\$ 457,148	\$ 71,597,138	\$ 68,156,923
Capital assets	42,888,239	43,180,091	-	-	42,888,239	43,180,091
Total Assets	113,957,139	110,879,866	528,238	457,148	114,485,377	111,337,014
Deferred Outflows of Resources	25,722,499	15,957,472	-	-	25,722,499	15,957,472
Liabilities						
Current liabilities	38,916,581	33,621,348	19,458	17,048	38,936,039	33,638,396
Long-term obligations	38,452,350	38,901,030	-	-	38,452,350	38,901,030
Aggregate net pension liability	79,022,910	66,812,751	-	-	79,022,910	66,812,751
Total Liabilities	156,391,841	139,335,129	19,458	17,048	156,411,299	139,352,177
Deferred Inflows of Resources	3,076,172	1,911,948	-	-	3,076,172	1,911,948
Net Position						
Net investment in capital assets	19,302,564	23,679,433	-	-	19,302,564	23,679,433
Restricted	9,924,319	8,813,739	-	-	9,924,319	8,813,739
Unrestricted	(49,015,258)	(46,902,911)	508,780	440,100	(48,506,478)	(46,462,811)
Total Net Position	\$ (19,788,375)	\$ (14,409,739)	\$ 508,780	\$ 440,100	\$ (19,279,595)	\$ (13,969,639)

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

Changes in Net Position

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

Table 2

	Governmental Activities		Business-Type Activities		School District Activities	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 491,770	\$ 456,878	\$ -	\$ -	\$ 491,770	\$ 456,878
Operating grants and contributions	82,907,907	91,869,581	-	-	82,907,907	91,869,581
General revenues:						
Federal and State aid not restricted	45,170,381	46,375,096	-	-	45,170,381	46,375,096
Property taxes	12,876,949	11,128,342	-	-	12,876,949	11,128,342
Other general revenues	2,758,518	1,890,491	123,978	105,673	2,882,496	1,996,164
Total Revenues	144,205,525	151,720,388	123,978	105,673	144,329,503	151,826,061
Expenses						
Instruction-related	64,649,122	62,275,693	-	-	64,649,122	62,275,693
Pupil services	9,456,930	8,970,121	-	-	9,456,930	8,970,121
Administration	5,955,250	5,666,135	-	-	5,955,250	5,666,135
Plant services	5,943,712	5,452,432	-	-	5,943,712	5,452,432
All other services	63,579,147	68,251,319	55,298	79,777	63,634,445	68,331,096
Total Expenses	149,584,161	150,615,700	55,298	79,777	149,639,459	150,695,477
Change in Net Position	\$ (5,378,636)	\$ 1,104,688	\$ 68,680	\$ 25,896	\$ (5,309,956)	\$ 1,130,584

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was \$149,584,161. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$12,876,949 because the cost was paid by those who benefited from the programs \$(491,770) or by other governments and organizations who subsidized certain programs with grants and contributions \$(82,907,907). We paid for the remaining "public benefit" portion of our governmental activities from the \$45,170,381 we received in State funds, and from \$2,758,518 of other revenues, like interest and general entitlements.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

In Table 3, we have presented the *cost* of each of the District's largest functions: instruction-related activities, pupil services, administration, plant services, and all other services, as well as each program's *net cost* (total cost less revenues generated by these activities). As discussed on the previous page, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction-related activities	\$ 64,649,122	\$ 62,275,693	\$ 45,219,884	\$ 42,895,200
Pupil services	9,456,930	8,970,121	4,702,644	3,803,909
Administration	5,955,250	5,666,135	3,429,376	2,890,048
Plant services	5,943,712	5,452,432	5,929,121	5,089,145
All other services	63,579,147	68,251,319	6,903,459	3,610,939
Total	\$ 149,584,161	\$ 150,615,700	\$ 66,184,484	\$ 58,289,241

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

THE DISTRICT'S FUNDS

As the District completed the year, our governmental funds reported a combined fund balance of \$33,855,208, which is a decrease of \$1,310,113 from last year (Table 4). This \$1,310,113 decrease is the net difference in the following fund balances from the prior year.

Table 4

	July 1, 2017	Balances and Activity		June 30, 2018
		Revenues and Other Financing Sources	Expenditures and Other Financing Uses	
General Fund	\$ 20,584,856	\$ 75,143,106	\$ 71,850,695	\$ 23,877,267
Special Education Pass-Through Fund	-	59,890,113	59,890,113	-
Building Fund	8,859,245	108,372	5,077,021	3,890,596
Cafeteria Fund	985,339	3,570,342	3,628,483	927,198
Child Development Fund	151,827	2,104,080	2,245,070	10,837
Capital Facilities Fund	25,678	100,358	5,167	120,869
State School Building Lease-Purchase Fund	28,164	452	-	28,616
County School Facilities Fund	35,826	561	-	36,387
Special Reserve Fund for Capital Outlay Projects	3,142,719	260,680	353,699	3,049,700
Bond Interest and Redemption Fund	1,331,903	2,371,404	1,809,642	1,893,665
Tax Override Fund	9	-	-	9
Debt Service Fund	19,755	309	-	20,064
Total	\$ 35,165,321	\$ 143,549,777	\$ 144,859,890	\$ 33,855,208

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget to reflect expected and unexpected changes in revenues and expenditures. The first Interim Budget report was prepared based upon actual information through October 31, 2017, and the second Interim Budget report was prepared based upon the actual information through January 31, 2018. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 71.)

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had \$42,888,239 in a broad range of capital assets (net of depreciation), including land, buildings, furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$291,852, or 0.7 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2018	2017
Land and construction in progress	\$ 3,768,935	\$ 2,560,731
Buildings and improvements	37,990,984	39,226,407
Equipment	1,128,320	1,392,953
Total	\$ 42,888,239	\$ 43,180,091

We present more detailed information about our capital assets in Note 5 to the financial statements.

Long-Term Obligations

At the end of this year, the District had \$27,588,448 in general obligation bonds outstanding versus \$28,480,238 last year, a decrease of 3.1 percent. The long-term obligations consisted of:

Table 6

	Governmental Activities	
	2018	(as restated) 2017
General obligation bonds - net (financed with property taxes)	\$ 27,588,448	\$ 28,480,238
Compensated absences	484,876	562,943
Aggregate net other postemployment benefits (OPEB) liability	11,644,026	10,682,849
Total	\$ 39,717,350	\$ 39,726,030

The District's general obligation bond rating is "AA-". The State limits the amount of general obligation bonds debt that districts can issue to five percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation bonds debt of \$27,588,448 is significantly below the statutorily-imposed limit.

Other obligations include compensated absences and the aggregate net other postemployment benefits (OPEB) liability. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

Net Pension Liability (NPL)

At year-end, the District had a net pension liability for CalSTRS and CalPERS of \$79,022,910.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2017-2018 ARE NOTED BELOW:

In the 2016-2017 fiscal year, the District passed a General Obligation Bond for \$27,000,000 and entered into various capital improvement projects to ensure school facility safety and security. Projects that have been completed with bond funds include: new roofing at Anderson, FDR, Green, Twain, Addams, and Mitchell, school-wide exterior painting at Anderson, Green, Addams, Rogers, Mitchell and Twain, a new sound wall on the perimeter of FDR, and completely new blacktops on the playgrounds at Anderson and FDR.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2018-2019 fiscal year, the Governing Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Full implementation of the Local Control Funding Formula. The District will review metrics and revise and adopt a Local Control Accountability Plan (LCAP) using stakeholder input to develop goals to enhance student achievement.
2. Average daily attendance (ADA) enrollments were down 60 from the prior year.
3. Interest earnings remain low to reflect State and National interest rate policies.
4. Developer fee collections were based upon actual receipts which are sensitive to the housing and construction industry.
5. MAA reimbursements are budgeted only upon receipt.
6. Transfers to the early retiree fund of \$365,680 annually, were reinstated.
7. The District has recommitted a budgetary transfer of \$214,445 to continue its commitment to maintain its facilities, even though the former Deferred Maintenance program was eliminated and also folded into the District's Local Control Funding Formula and LCAP.

Expenditures are based on the following forecasts:

	Staffing Ratio	Enrollment
Grades Pre-K and K through third	24:1	2,335
Grades four and five	30:1	1,214
Grades six, seven and eight	30:1	1,884
Special Education (Ungraded)	14:1	116

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent, Business Services, at Lawndale Elementary School District, Lawndale, California 90260, or e-mail at Gretchen_janson@lawndalesd.net.

LAWNDAL ELEMEN TARY SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	\$ 52,688,691	\$ 525,729	\$ 53,214,420
Receivables	18,275,461	2,509	18,277,970
Stores inventories	100,424	-	100,424
Other current assets	4,324	-	4,324
Capital assets:			
Land and construction in progress	3,768,935	-	3,768,935
Other capital assets	99,778,540	-	99,778,540
Less: Accumulated depreciation	(60,659,236)	-	(60,659,236)
Total Capital Assets	42,888,239	-	42,888,239
Total Assets	113,957,139	528,238	114,485,377
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	112,177	-	112,177
Deferred outflows of resources related to pensions	25,346,488	-	25,346,488
Deferred outflows of resources related to aggregate net other postemployment benefits (OPEB) liability	263,834	-	263,834
Total Deferred Outflows of Resources	25,722,499	-	25,722,499
LIABILITIES			
Accounts payable	37,126,976	19,458	37,146,434
Accrued interest payable	437,889	-	437,889
Unearned revenue	86,716	-	86,716
Long-term obligations:			
Current portion of long-term obligations other than pensions	1,265,000	-	1,265,000
Noncurrent portion of long-term obligations other than pensions	38,452,350	-	38,452,350
Total Long-Term Obligations	39,717,350	-	39,717,350
Aggregate net pension liability	79,022,910	-	79,022,910
Total Liabilities	156,391,841	19,458	156,411,299
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	3,076,172	-	3,076,172
NET POSITION			
Net investment in capital assets	19,302,564	-	19,302,564
Restricted for:			
Debt service	1,475,849	-	1,475,849
Capital projects	185,872	-	185,872
Educational programs	7,354,527	-	7,354,527
Other activities	908,071	-	908,071
Unrestricted	(49,015,258)	508,780	(48,506,478)
Total Net Position	\$ (19,788,375)	\$ 508,780	\$ (19,279,595)

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

LAWNDAL ELEMEN TARY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 54,151,693	\$ 43,698	\$ 15,125,623
Instruction-related activities:			
Supervision of instruction	4,992,335	17,064	4,015,987
Instructional library, media, and technology	1,277,684	-	18,185
School site administration	4,227,410	-	208,681
Pupil services:			
Home-to-school transportation	774,944	-	66,623
Food services	3,679,847	173,272	2,813,501
All other pupil services	5,002,139	4,769	1,696,121
General administration:			
Data processing	1,521,631	-	11,088
All other general administration	4,433,619	17,968	2,496,818
Plant services	5,943,712	2,744	11,847
Community services	368,877	-	17,248
Enterprise services	8,177	-	-
Interest on long-term obligations	1,102,005	-	-
Other outgo	62,100,088	232,255	56,426,185
Total Governmental Activities	149,584,161	491,770	82,907,907
Business-Type Activities			
Enterprise services	55,298	-	-
Total School District	\$ 149,639,459	\$ 491,770	\$ 82,907,907

General revenues and subventions:

Property taxes, levied for general purposes
Property taxes, levied for debt service
Taxes levied for other specific purposes
Federal and State aid not restricted
to specific purposes
Interest and investment earnings
Miscellaneous

Total General Revenues and Subventions

Change in Net Position

Net Position - Beginning, as Restated
Net Position - Ending

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

Net (Expenses) Revenues and Changes in Net Position		
Governmental Activities	Business- Type Activities	Total
\$ (38,982,372)	\$ -	\$ (38,982,372)
(959,284)	-	(959,284)
(1,259,499)	-	(1,259,499)
(4,018,729)	-	(4,018,729)
(708,321)	-	(708,321)
(693,074)	-	(693,074)
(3,301,249)	-	(3,301,249)
(1,510,543)	-	(1,510,543)
(1,918,833)	-	(1,918,833)
(5,929,121)	-	(5,929,121)
(351,629)	-	(351,629)
(8,177)	-	(8,177)
(1,102,005)	-	(1,102,005)
(5,441,648)	-	(5,441,648)
(66,184,484)	-	(66,184,484)
-	(55,298)	(55,298)
(66,184,484)	(55,298)	(66,239,782)
8,924,451	-	8,924,451
2,317,643	-	2,317,643
1,634,855	-	1,634,855
45,170,381	-	45,170,381
323,041	6,933	329,974
2,435,477	117,045	2,552,522
60,805,848	123,978	60,929,826
(5,378,636)	68,680	(5,309,956)
(14,409,739)	440,100	(13,969,639)
\$ (19,788,375)	\$ 508,780	\$ (19,279,595)

LAWNDALE ELEMENTARY SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2018

	General Fund	Special Education Pass-Through Fund	Building Fund
ASSETS			
Deposits and investments	\$ 26,291,992	\$ 14,440,760	\$ 6,058,751
Receivables	4,834,956	12,574,201	33,644
Stores inventories	71,129	-	-
Other current assets	4,324	-	-
Total Assets	\$ 31,202,401	\$ 27,014,961	\$ 6,092,395
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 7,238,418	\$ 27,014,961	\$ 2,201,799
Unearned revenue	86,716	-	-
Total Liabilities	7,325,134	27,014,961	2,201,799
Fund Balances:			
Nonspendable	86,129	-	-
Restricted	7,354,527	-	3,890,596
Assigned	3,512,479	-	-
Unassigned	12,924,132	-	-
Total Fund Balances	23,877,267	-	3,890,596
Total Liabilities and Fund Balances	\$ 31,202,401	\$ 27,014,961	\$ 6,092,395

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 5,897,188	\$ 52,688,691
832,660	18,275,461
29,295	100,424
-	4,324
<u>\$ 6,759,143</u>	<u>\$ 71,068,900</u>

\$ 671,798	\$ 37,126,976
-	86,716
<u>671,798</u>	<u>37,213,692</u>
29,964	116,093
3,007,681	14,252,804
3,049,700	6,562,179
-	12,924,132
<u>6,087,345</u>	<u>33,855,208</u>
<u>\$ 6,759,143</u>	<u>\$ 71,068,900</u>

LAWNDALE ELEMENTARY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2018

Total Fund Balance - Governmental Funds		\$ 33,855,208
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is:	\$ 103,547,475	
Accumulated depreciation is:	<u>(60,659,236)</u>	
Total Net Capital Assets		42,888,239
Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) are included with governmental activities.		112,177
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(437,889)
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	6,468,154	
Net change in proportionate share of net pension liability	3,348,784	
Differences between projected and actual earnings on pension plan investments	750,807	
Differences between expected and actual experience in the measurement of the total pension liability	989,532	
Changes of assumptions	<u>13,789,211</u>	
Total Deferred Outflows of Resources Related to Pensions		25,346,488
Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of amounts paid by the District for OPEB as the benefits come due subsequent to the measurement date.		263,834
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	(294,335)	
Differences between projected and actual earnings on pension plan investments	(1,526,565)	
Differences between expected and actual experience in the measurement of the total pension liability	(999,735)	
Changes of assumptions	<u>(255,537)</u>	
Total Deferred Inflows of Resources Related to Pensions		(3,076,172)

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, CONTINUED JUNE 30, 2018

Net pension liabilities are not due and payable in the current period and,
therefore, are not reported as liabilities in the funds.

\$ (79,022,910)

Long-term obligations at year-end consist of:

General obligation bonds

\$ 26,785,000

Unamortized premium

803,448

Compensated absences

484,876

Net other postemployment benefits (OPEB) liability

11,644,026

Total Long-Term Obligations

(39,717,350)

Total Net Position - Governmental Activities

\$ (19,788,375)

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Special Education Pass-Through Fund	Building Fund
REVENUES			
Local Control Funding Formula	\$ 52,118,204	\$ -	\$ -
Federal sources	4,174,027	16,250,101	-
Other State sources	15,083,617	43,450,744	-
Other local sources	3,667,258	189,268	108,372
Total Revenues	75,043,106	59,890,113	108,372
EXPENDITURES			
Current			
Instruction	45,235,782	-	-
Instruction-related activities:			
Supervision of instruction	4,617,926	-	-
Instructional library, media, and technology	1,068,493	-	-
School site administration	3,669,190	-	-
Pupil services:			
Home-to-school transportation	714,641	-	-
Food services	26,091	-	-
All other pupil services	4,273,303	-	-
General administration:			
Data processing	1,068,150	-	-
All other general administration	3,869,036	-	-
Plant services	4,843,549	-	29,044
Facility acquisition and construction	30,798	-	5,047,977
Community services	323,761	-	-
Other outgo	1,883,853	59,890,113	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	71,624,573	59,890,113	5,077,021
Excess (Deficiency) of Revenues			
Over Expenditures	3,418,533	-	(4,968,649)
Other Financing Sources (Uses)			
Transfers in	100,000	-	-
Transfers out	(226,122)	-	-
Net Financing Sources (Uses)	(126,122)	-	-
NET CHANGE IN FUND BALANCES	3,292,411	-	(4,968,649)
Fund Balances - Beginning	20,584,856	-	8,859,245
Fund Balances - Ending	\$ 23,877,267	\$ -	\$ 3,890,596

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

Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 52,118,204
3,129,275	23,553,403
2,322,739	60,857,100
2,730,050	6,694,948
<u>8,182,064</u>	<u>143,223,655</u>
1,808,596	47,044,378
254,298	4,872,224
-	1,068,493
74,217	3,743,407
-	714,641
3,178,797	3,204,888
-	4,273,303
-	1,068,150
230,040	4,099,076
125,315	4,997,908
461,156	5,539,931
-	323,761
-	61,773,966
825,000	825,000
984,642	984,642
<u>7,942,061</u>	<u>144,533,768</u>
<u>240,003</u>	<u>(1,310,113)</u>
226,122	326,122
(100,000)	(326,122)
<u>126,122</u>	<u>-</u>
366,125	(1,310,113)
5,721,220	35,165,321
<u>\$ 6,087,345</u>	<u>\$ 33,855,208</u>

LAWNDALE ELEMENTARY 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, 2018

Total Net Change in Fund Balances - Governmental Funds **\$ (1,310,113)**

**Amounts Reported for Governmental Activities in the Statement of
Activities are Different Because:**

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

This is the amount by which depreciation expense exceeded capital outlays in the period.

Depreciation expense	\$ (5,847,198)	
Capital outlays	<u>5,585,535</u>	(261,663)

Loss on disposal of capital assets is reported in the government-wide financial statement of net assets, but is not recorded in the governmental funds. (30,189)

In the Statement of Activities, compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, the related expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was less than the amounts used by \$78,067. 78,067

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year. (3,865,032)

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

General obligation bonds	825,000
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In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows and aggregate net OPEB liability during the year. (697,343)

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, CONTINUED FOR THE YEAR ENDED JUNE 30, 2018

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:

Amortization of debt premium	\$	66,790	
Amortization of deferred charge on refunding		<u>(8,158)</u>	
Combined adjustment			\$ 58,632

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

		(175,995)
Change in Net Position of Governmental Activities		<u><u>\$ (5,378,636)</u></u>

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2018

	Business-Type Activities Enterprise Fund
	Child Care Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 525,729
Receivables	2,509
Total Current Assets	528,238
LIABILITIES	
Current Liabilities	
Accounts payable	19,458
NET POSITION	
Unrestricted	\$ 508,780

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES

IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities Enterprise Fund
	Child Care Fund
OPERATING REVENUES	
Local and intermediate sources	\$ 117,045
OPERATING EXPENSES	
Payroll costs	53,618
Supplies and materials	1,065
Other operating cost	615
Total Operating Expenses	55,298
Operating Income	61,747
NONOPERATING REVENUES	
Interest income	6,933
Change in Net Position	68,680
Total Net Position - Beginning	440,100
Total Net Position - Ending	\$ 508,780

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities Enterprise Fund Child Care Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from user charges	\$ 117,045
Cash payments for other operating expenses	(52,888)
Net Cash Provided by Operating Activities	<u>64,157</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>6,288</u>
Net Change in Cash and Cash Equivalents	70,445
Cash and Cash Equivalents - Beginning	455,284
Cash and Cash Equivalents - Ending	<u><u>\$ 525,729</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 61,747
Changes in liabilities:	
Accounts payable	<u>2,410</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 64,157</u></u>

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2018

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	<u>\$ 74,795</u>
LIABILITIES	
Due to student groups	<u>\$ 74,795</u>

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Lawndale Elementary School District (the District) was organized in October 1906 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-8 as mandated by the State and/or Federal agencies. The District operates six elementary schools and two middle schools.

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

Other Related Entities

Charter School The District has approved the Environmental Charter School pursuant to *Education Code* Section 47605. The Charter School was approved in December 2000, for an original term of four years ending June 30, 2004. The agreement has since been approved through June 30, 2019.

For financial reporting purposes the charter is not considered a component unit in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by Statement No. 39. The criterion that establishes financial accountability as a result of fiscal dependency was not met. Therefore, the charter is determined not to be a component unit and is not included as part of these financial statements.

The charter is subject to audit within the agreement. Audited financial statements are available from the charter organization.

Basis of Presentation - Fund Accounting

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

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Major Governmental Funds

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

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

As a result, the General Fund reflects an increase in assets, fund balance, and revenues of \$3,218,603, \$3,218,603, and \$47,971, respectively, and a decrease in other sources and other uses of \$255,604 and \$365,681, respectively.

Special Education Pass-Through Fund The Special Education Pass-Through Fund is used by the Administrative Unit of a multi-district Special Education Local Plan Area (SELPA) to account for Special Education revenue passed through to other member districts.

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

Non-Major Governmental Funds

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

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

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

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

State School Building Lease-Purchase Fund The State School Building Lease-Purchase Fund is used primarily to account separately for State apportionments for the reconstruction, remodeling, or replacement of existing school buildings or the acquisition of new school sites and buildings, as provided in the Leroy F. Greene State School Building Lease-Purchase Law of 1976 (*Education Code* Section 17000 et seq.).

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

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

Debt Service Funds The Debt Service funds are used to account for the accumulation of resources for, and the payment of, principal and interest on general long-term obligations.

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

Tax Override Fund The Tax Override Fund is used for the repayment of voted indebtedness (other than Bond Interest and Redemption Fund) to be financed from ad valorem tax levies.

Debt Service Fund The Debt Service Fund is used for the accumulation of resources for, and the retirement of principal, and interest on general long-term obligations.

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

Enterprise Fund Enterprise Fund may be used to account for any activity for which a fee is charged to external users for goods or services. The only enterprise fund of the District accounts for the financial transactions related to the child care operations of the District.

LAWNDAL ELEM ENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

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

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

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

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 90 days. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

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

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

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2018, 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 investment pools are determined by the program sponsor.

Stores Inventories

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

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

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

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Debt Issuance Costs, Premiums, and Discounts

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

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

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Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the aggregate net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the MPP's fiduciary net position have been determined on the same basis as they are reported by the MPP. For this purpose, the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Fund Balances - Governmental Funds

As of June 30, 2018, fund balances of the governmental funds are classified as follows:

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other actions as approved by the governing board. The District currently does not have any committed funds.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

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Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or Superintendent or Chief Business Official may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$9,924,319 of restricted net position.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are user fees. Operating expenses are necessary cost incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Interfund Activity

Transfers between governmental and business-type activities in the government-wide financial statements are reported in the same manner as general revenues.

LAWNDAL E ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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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 and business-type activities columns of the Statement of Activities, except for the net residual amounts transferred between governmental and business-type activities.

Estimates

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

Property Tax

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

Parcel Tax

In November 2012 local voters passed Local Classrooms Funding Authority - Measure CL Parcel Tax to protect academic quality in local K-12 schools; maintain math, science, English programs; provide education for students with disabilities/special needs, support computer technology and school security, prepare students for college/careers, and retain excellent teachers. Local Classrooms Funding Authority levied a special tax of 2¢/square foot of lot for residential property, and 7.5¢/square foot for other property types; requiring citizens oversight, audits, senior exemptions and no money for administrator salaries. The District received \$1,346,081 in parcel tax receipts.

Change in Accounting Principles

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

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

LAWNDAL ELEM E N T A R Y S C H O O L D I S T R I C T

NOTES TO FINANCIAL STATEMENTS

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The District has implemented the provisions of this Statement as of June 30, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The District has implemented the provisions of this Statement as of June 30, 2018.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

New Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 52,688,691
Business-type activities	525,729
Fiduciary funds	74,795
Total Deposits and Investments	<u>\$ 53,289,215</u>

Deposits and investments as of June 30, 2018, consist of the following:

Cash on hand and in banks	\$ 80,795
Cash in revolving	15,669
Investments	53,192,751
Total Deposits and Investments	<u>\$ 53,289,215</u>

Policies and Practices

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

Investment in County Treasury

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

The District is an involuntary participant in the Los Angeles County Investment Pool. The pool is managed by the Los Angeles County Treasurer and is not registered as an investment company with the Securities Exchange Commission. Oversight of the pool is the responsibility of the County Treasury Oversight Committee. *California Government Code* statutes and the County Treasury Oversight Committee set forth the various investment policies that the Treasurer follows.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

As provided by the Government Code, the cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. Interest earned on pooled investments is deposited to the participating funds, based upon the funds average daily deposit balance during the allocation period.

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Los Angeles County Investment Pool and by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of \$53,192,751 with the Los Angeles County Investment Pool that has an average weighted maturity of 609 days.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Los Angeles County Investment Pool is not rated, nor is it required to be rated as of June 30, 2018.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public 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, 2018, the District did not have any deposits exposed to custodial credit risk because all balances were FDIC insured.

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Los Angeles County Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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The District's fair value measurements are as follows at June 30, 2018:

Investment Type	Fair Value	Uncategorized
Los Angeles County Investment Pool	\$ 52,480,203	\$ 52,480,203

All assets have been valued using a market approach, with quoted market prices.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2018, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Special Education Pass-Through Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Enterprise Fund
Federal Government						
Categorical aid	\$ 1,518,020	\$ 6,273,044	\$ -	\$ 535,462	\$ 8,326,526	\$ -
State Government						
Categorical aid	2,701,561	6,263,254	-	191,056	9,155,871	-
Lottery	230,472	-	-	-	230,472	-
Other State	-	-	-	9,212	9,212	-
Local Receivables						
Interest	37,739	37,903	33,644	21,573	130,859	2,509
Other	347,164	-	-	75,357	422,521	-
Total	<u>\$ 4,834,956</u>	<u>\$ 12,574,201</u>	<u>\$ 33,644</u>	<u>\$ 832,660</u>	<u>\$ 18,275,461</u>	<u>\$ 2,509</u>

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 1,370,117	\$ -	\$ -	\$ 1,370,117
Construction in progress	1,190,614	2,380,055	1,171,851	2,398,818
Total Capital Assets Not Being Depreciated	2,560,731	2,380,055	1,171,851	3,768,935
Capital Assets Being Depreciated:				
Land improvements	763,149	-	-	763,149
Buildings and improvements	89,023,892	4,357,209	30,707	93,350,394
Furniture and equipment	5,650,096	20,122	5,221	5,664,997
Total Capital Assets Being Depreciated	95,437,137	4,377,331	35,928	99,778,540
Total Capital Assets	97,997,868	6,757,386	1,207,779	103,547,475
Less Accumulated Depreciation:				
Land improvements	599,888	20,786	-	620,674
Buildings and improvements	49,960,746	5,546,769	5,630	55,501,885
Furniture and equipment	4,257,143	279,643	109	4,536,677
Total Accumulated Depreciation	54,817,777	5,847,198	5,739	60,659,236
Governmental Activities Capital Assets, Net	\$ 43,180,091	\$ 910,188	\$ 1,202,040	\$ 42,888,239

Depreciation expense was charged as a direct expense to the governmental functions as follows:

Governmental Activities	
Instruction	\$ 4,192,192
Pupil transportation	59,993
Food services	284,878
All other pupil services	387,244
All other general administration	343,232
Data processing	117,798
Plant services	461,861
Total Depreciation Expenses Governmental Activities	\$ 5,847,198

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 6 - INTERFUND TRANSACTIONS

Operating Transfers

Interfund transfers for the year ended June 30, 2018, consisted of the following:

Transfer To	Transfer From		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 100,000	\$ 100,000
Non-Major Governmental Funds	226,112	-	226,112
	<u>\$ 226,112</u>	<u>\$ 100,000</u>	<u>\$ 326,112</u>

The General Fund transferred to the Cafeteria Non-Major Governmental Fund for uncollectable accounts. \$ 11,677

The General Fund transferred to the Special Reserve Non-Major Governmental Fund for Capital Outlay Project for District contribution per LCAP plan. 214,445

The Cafeteria Non-Major Governmental Fund transferred to the General Fund to repay interfund borrowing. 100,000

Total \$ 326,122

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	General Fund	Special Education Pass-Through Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Enterprise Fund
Salaries and benefits	\$ 4,442,233	\$ -	\$ -	\$ 124,528	\$ 4,566,761	\$ 18,727
LCFF principal apportionment	709,214	-	-	-	709,214	-
Due to SELPA members	-	27,014,961	-	-	27,014,961	-
State categorical aid	1,185,091	-	-	264,696	1,449,787	-
Federal categorical aid	235,567	-	-	33,599	269,166	-
Construction	-	-	2,201,799	45,604	2,247,403	-
Vendor payables	666,313	-	-	203,371	869,684	731
Total	<u>\$ 7,238,418</u>	<u>\$ 27,014,961</u>	<u>\$ 2,201,799</u>	<u>\$ 671,798</u>	<u>\$ 37,126,976</u>	<u>\$ 19,458</u>

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2018, consists of the following:

	General Fund
Federal categorical aid	\$ 79,566
State categorical aid	7,150
Total	<u>\$ 86,716</u>

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	(as restated) Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due in One Year
General obligation bonds	\$ 27,610,000	\$ -	\$ 825,000	\$ 26,785,000	\$ 1,265,000
Premium on issuance	870,238	-	66,790	803,448	-
Compensated absences	562,943	-	78,067	484,876	-
Aggregate net other postemployment benefits (OPEB) liability	10,682,849	1,220,339	259,162	11,644,026	-
	<u>\$ 39,726,030</u>	<u>\$ 1,220,339</u>	<u>\$ 1,229,019</u>	<u>\$ 39,717,350</u>	<u>\$ 1,265,000</u>

Payments on the general obligation bonds are paid from the Bond Interest and Redemption Fund with local revenues. The accrued vacation (compensated absences) is paid by the fund for which the employee worked. The aggregate net OPEB liability is paid from the General Fund.

General Obligation Bonds

1998, General Obligation Bonds, Series C

In August 2010, the District issued in the amount of \$3,000,000, the General Obligation Bonds, Election 1998, Series C. The bonds bear interest rates of 3.00 to 4.25 percent and mature through the fiscal year 2028. The bonds were issued to finance the repair and refurbishment of existing school facilities, and the construction and acquisition of new classrooms and school facilities. At June 30, 2018, the principal balance outstanding was \$3,000,000.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

2010 General Obligation Refunding Bonds

In August 2010, the District issued in the amount of \$13,170,000, the 2010 General Obligation Refunding Bonds to advance refund all of the outstanding principal amount of the Lawndale Elementary School District General Obligation Bonds, 1998 Election, Series A, and a portion of the outstanding principal amount on the Lawndale Elementary School District General Obligation Bonds, 1998 Election, Series B. The bonds bear interest rates of 1.50 to 4.25 percent and mature through the fiscal year 2029. At June 30, 2018, the principal balance outstanding was \$8,765,000. Unamortized premium received on issuance of the bonds amounted to \$574,409 as of June 30, 2018.

2016, General Obligation Bonds, Series A

In March 2017, the District issued in the amount of \$10,000,000, the General Obligation Bonds, Election 2016, Series A. The bonds bear interest rates of 3.50 to 5.00 percent and mature through the fiscal year 2047. The bonds were issued to finance the acquisition and construction of education facilities and projects and to pay for the cost of issuing the bonds. At June 30, 2018, the principal balance outstanding was \$10,000,000. Unamortized premium received on issuance of the bonds amounted to \$186,250 as of June 30, 2018.

2017 General Obligation Refunding Bonds

In March 2017, the District issued in the amount of \$5,080,000, the 2017 General Obligation Refunding Bonds. The bonds were issued as current interest bonds. The bonds were issued to advance refund the 1998, General Obligation Bonds, Series B, maturing August 1, 2018 through August 2032. The bonds bear interest rates of 2.00 to 4.00 percent and mature through the fiscal year 2033.

At June 30, 2018, the principal balance of the 2017 General Obligation Refunding Bonds outstanding was \$5,020,000. Unamortized premium received on issuance of the bonds amounted to \$42,789 as of June 30, 2018.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Issued	Redeemed	Bonds	
					Outstanding				Outstanding	Due in
					July 1, 2017				June 30, 2018	One Year
1998, Series C	8/25/2010	8/1/2027	3.00-4.25%	\$ 3,000,000	\$ 3,000,000	\$ -	\$ -	\$ -	\$ 3,000,000	\$ 50,000
2010 Refunding	8/25/2010	8/1/2028	1.50-4.25%	13,170,000	9,530,000	-	765,000		8,765,000	790,000
2016, Series A	3/21/2017	8/1/2046	3.50-5.00%	10,000,000	10,000,000	-	-		10,000,000	425,000
2017 Refunding	3/21/2017	8/1/2032	2.00-4.00%	5,080,000	5,080,000	-	60,000		5,020,000	-
					<u>\$ 27,610,000</u>	<u>\$ -</u>	<u>\$ 825,000</u>		<u>\$ 26,785,000</u>	<u>\$ 1,265,000</u>

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Debt Service Requirements to Maturity

The 1998 Series C bonds mature through 2028 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2019	\$ 50,000	\$ 118,725	\$ 168,725
2020	95,000	116,550	211,550
2021	145,000	112,950	257,950
2022	205,000	106,675	311,675
2023	270,000	97,175	367,175
2024-2028	2,235,000	253,663	2,488,663
Total	<u>\$ 3,000,000</u>	<u>\$ 805,738</u>	<u>\$ 3,805,738</u>

The 2010 Refunding bonds mature through 2029 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2019	\$ 790,000	\$ 325,088	\$ 1,115,088
2020	820,000	296,988	1,116,988
2021	845,000	267,788	1,112,788
2022	875,000	235,575	1,110,575
2023	900,000	202,263	1,102,263
2024-2028	3,445,000	440,313	3,885,313
2029	1,090,000	46,081	1,136,081
Total	<u>\$ 8,765,000</u>	<u>\$ 1,814,096</u>	<u>\$ 10,579,096</u>

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

The 2016, Series A bonds mature through 2047 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2019	\$ 425,000	\$ 410,394	\$ 835,394
2020	720,000	381,769	1,101,769
2021	-	363,769	363,769
2022	-	363,769	363,769
2023	-	363,769	363,769
2024-2028	-	1,818,845	1,818,845
2029-2033	470,000	1,775,844	2,245,844
2034-2038	1,145,000	1,586,738	2,731,738
2039-2043	3,085,000	1,203,500	4,288,500
2044-2047	4,155,000	347,100	4,502,100
Total	<u><u>\$ 10,000,000</u></u>	<u><u>\$ 8,615,497</u></u>	<u><u>\$ 18,615,497</u></u>

The 2017 Refunding bonds mature through 2033 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2019	\$ -	\$ 169,550	\$ 169,550
2020	-	169,550	169,550
2021	-	169,550	169,550
2022	-	169,550	169,550
2023	-	169,550	169,550
2024-2028	1,315,000	795,650	2,110,650
2029-2033	3,705,000	307,412	4,012,412
Total	<u><u>\$ 5,020,000</u></u>	<u><u>\$ 1,950,812</u></u>	<u><u>\$ 6,970,812</u></u>

Compensated Absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2018, amounted to \$484,876.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Aggregate Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported aggregate net OPEB liability, deferred outflows of resources, and OPEB expense for the following plans:

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	OPEB Expense
District Plan	\$ 11,171,949	\$ 263,834	\$ 988,403
Medicare Premium Payment (MPP) Program	472,077	-	(27,226)
Total	<u>\$ 11,644,026</u>	<u>\$ 263,834</u>	<u>\$ 961,177</u>

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Management of the Plan is vested in the District management.

Plan Membership

At June 30, 2017, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	46
Active employees	489
	<u>535</u>

Benefits Provided

The Plan provides medical insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Lawndale Teacher's Association (LTA), the Lawndale Federation of Classified Employees (LFCE), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, LTA, LFCE, and the unrepresented groups. For fiscal year 2016-2017, the District paid \$231,936 in benefits.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Total OPEB Liability of the District

The District's total OPEB liability of \$11,171,949 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent
Discount rate	3.50 percent
Healthcare cost trend rates	4.00 percent

The discount rate was based on the Bond Buyer 20-Bond General Obligation Index.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study for the period July 1, 2016 to June 30, 2017.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016	\$ 10,183,546
Service cost	853,522
Interest	366,817
Benefit payments	(231,936)
Net change in total OPEB liability	988,403
Balance at June 30, 2017	<u>\$ 11,171,949</u>

There were no changes to benefit terms since the previous valuation.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Changes of assumptions and other inputs reflect a change in the discount rate from 4.0 percent in 2015 to 3.5 percent in 2017. A change in actuarial cost method from the projected unit credit method utilized in 2015 to the entry age actuarial cost method used in 2017. In addition, there was a change in the actuarial turnover tables from the Crocker-Sarason Table T-5 utilized in 2015 to the 2009 CalSTRS/CalPERS Termination Tables utilized in 2017. Also, a change in healthcare cost trend from 8.0 percent utilized in 2015 to 4.0 percent utilized in 2017.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

<u>Discount Rate</u>	<u>Total OPEB Liability</u>
1% decrease (2.5%)	\$ 11,985,154
Current discount rate (3.5%)	11,171,949
1% increase (4.5%)	10,402,506

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

<u>Healthcare Cost Trend Rates</u>	<u>Total OPEB Liability</u>
1% decrease (3.0%)	\$ 10,611,004
Current healthcare cost trend rate (4.0%)	11,171,949
1% increase (5.0%)	11,572,171

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, benefit payments that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB

At June 30, 2018, the District reported a liability of \$472,077 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.1122 percent and 0.1067 percent, resulting in an increase in the proportionate share of 0.0055 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of \$(27,226).

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2016, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017, using the assumptions listed in the following table:

Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2016	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2016	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among the members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017 and 2016, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate.

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

Discount Rate	Net OPEB Liability
1% decrease (2.58%)	\$ 522,622
Current discount rate (3.58%)	472,077
1% increase (4.58%)	422,911

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates.

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 426,593
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	472,077
1% increase (4.7% Part A and 5.1% Part B)	517,105

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 15,000	\$ -	\$ 669	\$ 15,669
Stores inventories	71,129	-	29,295	100,424
Total Nonspendable	<u>86,129</u>	<u>-</u>	<u>29,964</u>	<u>116,093</u>
Restricted				
Legally restricted programs	7,354,527	-	908,071	8,262,598
Capital projects	-	3,890,596	185,872	4,076,468
Debt services	-	-	1,913,738	1,913,738
Total Restricted	<u>7,354,527</u>	<u>3,890,596</u>	<u>3,007,681</u>	<u>14,252,804</u>
Assigned				
Capital projects	-	-	3,049,700	3,049,700
Deferred maintenance	4,482	-	-	4,482
Measure CL carryover	281,175	-	-	281,175
Retiree benefits	3,214,121	-	-	3,214,121
USC Grant	12,701	-	-	12,701
Total Assigned	<u>3,512,479</u>	<u>-</u>	<u>3,049,700</u>	<u>6,562,179</u>
Unassigned				
Reserve for economic uncertainties	12,924,132	-	-	12,924,132
Total Unassigned	<u>12,924,132</u>	<u>-</u>	<u>-</u>	<u>12,924,132</u>
Total	<u>\$ 23,877,267</u>	<u>\$ 3,890,596</u>	<u>\$ 6,087,345</u>	<u>\$ 33,855,208</u>

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 11 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2018, the District contracted with Alliance of Schools for Cooperative Insurance Programs (ASCIP) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Workers' Compensation

For fiscal year 2018, the District participated in the Alliance of Schools for Cooperative Insurance Programs (ASCIP) joint powers authorities' insurance purchasing pool. The intent of the ASCIP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the pool. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the pool. Each participant pays its workers' compensation premium based on its individual rate. A participant will then either receive a refund or credit from ASCIP or will be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the pool. Participation in the pool is limited to districts that can meet the ASCIP selection criteria.

Coverage provided by ASCIP for property and liability and workers' compensation is as follows:

Insurance Program / Company Name	Type of Coverage	Limits
<u>Workers' Compensation Program</u>		
Alliance of Schools for Cooperative Insurance Programs (ASCIP)	Workers' Compensation	\$ 1,000,000
<u>Property and Liability Program</u>		
Alliance of Schools for Cooperative Insurance Programs (ASCIP)	General and Automotive	600,000,000
Alliance of Schools for Cooperative Insurance Programs (ASCIP)	Comprehensive Crime	5,000,000
<u>Excess Property and Liability Program</u>		
Schools Excess Liability Fund (SELF)	Excess Property and Liability	50,000,000

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2018, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 57,319,007	\$ 18,761,099	\$ 2,526,300	\$ 6,298,121
CalPERS	21,703,903	6,585,389	549,872	4,035,065
Total	<u>\$ 79,022,910</u>	<u>\$ 25,346,488</u>	<u>\$ 3,076,172</u>	<u>\$ 10,333,186</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:
<http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required State contribution rate	9.328%	9.328%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above, and the District's total contributions were \$4,679,289.

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	\$ 57,319,007
State's proportionate share of net pension liability associated with the District	33,909,440
Total	<u>\$ 91,228,447</u>

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2017 and June 30, 2016, was 0.0620 percent and 0.0600 percent, respectively, resulting in a net increase in the proportionate share of 0.0020 percent.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

For the year ended June 30, 2018, the District recognized pension expense of \$6,298,121. In addition, the District recognized pension expense and revenue of \$3,413,311 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,679,289	\$ -
Net change in proportionate share of net pension liability	3,250,824	-
Differences between projected and actual earnings on the pension plan investments	-	1,526,565
Differences between expected and actual experience in the measurement of the total pension liability	211,971	999,735
Changes of assumptions	10,619,015	-
Total	<u>\$ 18,761,099</u>	<u>\$ 2,526,300</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ (1,269,090)
2020	960,326
2021	138,474
2022	(1,356,275)
Total	<u>\$ (1,526,565)</u>

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The deferred outflows of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2019	\$ 2,221,702
2020	2,221,702
2021	2,221,702
2022	2,221,703
2023	2,172,502
Thereafter	2,022,764
Total	<u>\$ 13,082,075</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 84,162,499
Current discount rate (7.10%)	57,319,007
1% increase (8.10%)	35,533,693

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

California Public Employees' Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above, and the total District contributions were \$1,788,865.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$21,703,903. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2017 and June 30, 2016, was 0.0909 percent and 0.0926 percent, respectively, resulting in a net decrease in the proportionate share of 0.0017 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$4,035,065. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,788,865	\$ -
Net change in proportionate share of net pension liability	97,960	294,335
Differences between projected and actual earnings on the pension plan investments	750,807	-
Differences between expected and actual experience in the measurement of the total pension liability	777,561	-
Changes of assumptions	3,170,196	255,537
Total	<u>\$ 6,585,389</u>	<u>\$ 549,872</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ (20,344)
2020	866,267
2021	316,024
2022	(411,140)
Total	<u>\$ 750,807</u>

The deferred outflows of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2019	\$ 1,188,235
2020	1,276,273
2021	1,031,337
Total	<u>\$ 3,495,845</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 31,933,396
Current discount rate (7.15%)	21,703,903
1% increase (8.15%)	13,217,682

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use the Social Security as its alternative plan. Contributions made by the District and an employee vest immediately. The District and employees combined contribution rate is 6.2 percent of employees earnings based on a contribution formula.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$2,757,563 (9.328 percent of annual payroll.) Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

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, 2018.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Construction Commitments

As of June 30, 2018, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Construction Commitment	Expected Date of Completion
FDR Parking Lot	\$ 240,000	September 2018
Anderson Paving	147,000	September 2018
Addams Roofing	259,355	September 2018
Mitchell Roofing/Painting	583,519	September 2018
Twain Roofing/Painting	746,000	September 2018
Gutters at Green	45,000	September 2018
	<u>\$ 2,020,874</u>	

NOTE 14 - PARTICIPATION IN JOINT POWER AUTHORITY

The District is a member of the Alliance of Schools for Cooperative Insurance Programs (ASCIP) joint powers authority (JPA). The District pays an annual premium to the applicable entity for its, workers' compensation and property liability coverage. Payments for insurance are paid to the JPA. The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

Joint Power Authorities 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 entity and the District are included in these statements. Audited financial statements are generally available from the respective entities.

The District has appointed one board member to the governing board of the ASCIP JPA.

During the year ended June 30, 2018, the District made payments of \$1,297,260 to the ASCIP.

NOTE 15 - SUBSEQUENT EVENTS

On August 14, 2018, the District issued the Election of 2016, Series B General Obligation Bonds, in the amount of \$10,000,000 to currently to continue projects to modernize outdated classrooms, restrooms and school facilities; make health and safety improvements; repair or replace leaky roofs; update electrical systems for modern technology; and replace outdated heating, ventilation and air conditioning systems, as approved by the Voters on the 2016 Measure L Election.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Government-Wide Financial Statements	
Net Position - Beginning	\$ (7,091,671)
Inclusion of aggregate net OPEB liability from the adoption of GASB Statement No. 75	(7,318,068)
Net Position - Beginning, as restated	<u>\$ (14,409,739)</u>

REQUIRED SUPPLEMENTARY INFORMATION

LAWNDALE ELEMENTARY SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variances -
	Original	Final	(GAAP Basis)	Positive (Negative) Final to Actual
REVENUES				
Local Control Funding Formula	\$ 52,059,172	\$ 52,176,992	\$ 52,118,204	\$ (58,788)
Federal sources	3,820,469	4,863,718	4,174,027	(689,691)
Other State sources	11,039,428	12,385,418	15,083,617	2,698,199
Other local sources	2,776,439	2,930,355	3,667,258	736,903
Total Revenues ¹	69,695,508	72,356,483	75,043,106	2,686,623
EXPENDITURES				
Current				
Certificated salaries	32,529,779	32,428,917	32,401,113	27,804
Classified salaries	12,039,197	11,776,560	11,771,654	4,906
Employee benefits	12,863,744	15,569,988	15,566,463	3,525
Books and supplies	3,864,809	4,133,116	3,503,409	629,707
Services and operating expenditures	7,333,488	7,791,240	6,661,528	1,129,712
Other outgo	1,426,641	1,927,708	1,658,980	268,728
Capital outlay	50,000	898,911	61,426	837,485
Total Expenditures ¹	70,107,658	74,526,440	71,624,573	2,901,867
Excess (Deficiency) of Revenues Over Expenditures	(412,150)	(2,169,957)	3,418,533	5,588,490
Other Financing Sources (Uses)				
Transfers in	100,000	100,000	100,000	-
Transfers out	(214,445)	(214,445)	(226,122)	(11,677)
Net Financing Sources (Uses)	(114,445)	(114,445)	(126,122)	(11,677)
NET CHANGE IN FUND BALANCES	(526,595)	(2,284,402)	3,292,411	5,576,813
Fund Balances - Beginning	20,584,856	20,584,856	20,584,856	-
Fund Balances - Ending	\$ 20,058,261	\$ 18,300,454	\$ 23,877,267	\$ 5,576,813

¹ Due to the consolidation of Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures; however, are not included in the original and final General Fund budget.

See accompanying note to required supplementary information.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

SPECIAL EDUCATION PASS-THROUGH FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variances -
	Original	Final	(GAAP Basis)	Positive (Negative) Final to Actual
REVENUES				
Federal sources	\$ 20,812,481	\$ 20,291,886	\$ 16,250,101	\$ (4,041,785)
Other State sources	43,011,181	42,608,016	43,450,744	842,728
Other local sources	-	-	189,268	189,268
Total Revenues	<u>63,823,662</u>	<u>62,899,902</u>	<u>59,890,113</u>	<u>(3,009,789)</u>
EXPENDITURES				
Current				
Other outgo	<u>63,823,662</u>	<u>62,899,902</u>	<u>59,890,113</u>	<u>3,009,789</u>
NET CHANGE IN FUND BALANCES	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying note to required supplementary information.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2018

	2018
Total OPEB Liability	
Service cost	\$ 853,522
Interest	366,817
Benefit payments	(231,936)
Net change in total OPEB liability	988,403
Total OPEB liability - beginning	10,183,546
Total OPEB liability - ending	<u>\$ 11,171,949</u>
 Covered payroll	 <u>N/A¹</u>
 District's total OPEB liability as a percentage of covered payroll	 <u>N/A¹</u>

¹ The District's OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

Note : In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2018

Year ended June 30,	<u>2018</u>
District's proportion of the net OPEB liability	<u>0.1122%</u>
District's proportionate share of the net OPEB liability	<u>\$ 472,077</u>
District's covered-employee payroll	<u>N/A¹</u>
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	<u>N/A¹</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.01%</u>

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

Note : In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
District's proportion of the net pension liability	0.0620%	0.0600%
District's proportionate share of the net pension liability	\$ 57,319,007	\$ 48,517,958
State's proportionate share of the net pension liability associated with the District	33,909,440	27,620,408
Total	<u>\$ 91,228,447</u>	<u>\$ 76,138,366</u>
District's covered-employee payroll	<u>\$ 31,889,118</u>	<u>\$ 30,409,003</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	179.74%	159.55%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%
CalPERS		
District's proportion of the net pension liability	0.0909%	0.0926%
District's proportionate share of the net pension liability	\$ 21,703,903	\$ 18,294,793
District's covered-employee payroll	<u>\$ 11,609,411</u>	<u>\$ 11,076,146</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	186.95%	165.17%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

<u>2016</u>	<u>2015</u>
<u>0.0576%</u>	<u>0.0560%</u>
\$ 38,749,301	\$ 32,705,162
<u>20,494,109</u>	<u>19,748,789</u>
<u>\$ 59,243,410</u>	<u>\$ 52,453,951</u>
<u>\$ 26,259,617</u>	<u>\$ 25,289,611</u>
<u>147.56%</u>	<u>129.32%</u>
<u>74%</u>	<u>77%</u>
<u>0.0913%</u>	<u>0.0873%</u>
<u>\$ 13,460,371</u>	<u>\$ 9,915,554</u>
<u>\$ 10,847,022</u>	<u>\$ 9,198,947</u>
<u>124.09%</u>	<u>107.79%</u>
<u>79%</u>	<u>83%</u>

LAWNDALE ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>
CalSTRS		
Contractually required contribution	\$ 4,679,289	\$ 4,011,651
Contributions in relation to the contractually required contribution	4,679,289	4,011,651
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 32,427,505</u>	<u>\$ 31,889,118</u>
Contributions as a percentage of covered-employee payroll	<u>14.43%</u>	<u>12.58%</u>
 CalPERS		
Contractually required contribution	\$ 1,788,865	\$ 1,612,315
Contributions in relation to the contractually required contribution	1,788,865	1,612,315
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 11,518,028</u>	<u>\$ 11,609,411</u>
Contributions as a percentage of covered-employee payroll	<u>15.531%</u>	<u>13.888%</u>

Note : In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

<u>2016</u>	<u>2015</u>
\$ 3,262,886	\$ 2,331,854
3,262,886	2,331,854
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 30,409,003</u>	<u>\$ 26,259,617</u>
<u>10.73%</u>	<u>8.88%</u>
\$ 1,312,191	\$ 1,276,803
1,312,191	1,276,803
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 11,076,146</u>	<u>\$ 10,847,022</u>
<u>11.847%</u>	<u>11.771%</u>

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedules

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. 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.

These schedules present information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the Plan's fiduciary net position, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms - There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions - Changes of assumptions and other inputs reflect a change in the discount rate from 4.0 percent in 2015 to 3.5 percent in 2017. A change in actuarial cost method from the projected unit credit method utilized in 2015 to the entry age actuarial cost method used in 2017. In addition, there was a change in the actuarial turnover tables from the Crocker-Sarason Table T-5 utilized in 2015 to the 2009 CalSTRS/CalPERS Termination Tables utilized in 2017. Also, a change in healthcare cost trend from 8.0 percent utilized in 2015 to 4.0 percent utilized in 2017.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB liability - MPP program and the Plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms - There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions - The plan rate of investment return assumption was changed from 2.85 percent to 3.58 percent since the previous valuation.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the Plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions - The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

LAWNDALE ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. DEPARTMENT OF EDUCATION				
Passed through California Department of Education (CDE)				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 1,616,152	\$ -
Title II, Part A, Supporting Effective Instruction	84.367	14341	133,361	-
Title III, English Learner Student Program	84.365	14346	143,840	-
Special Education (IDEA) Cluster:				
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	13,022,272	11,856,150
Preschool Grants, Part B, Section 619	84.173	13430	1,038,761	941,795
Preschool Local Entitlement, Part B, Section 611	84.027A	13682	2,537,949	2,286,162
Preschool Staff Development, Part B, Section 619	84.173A	13431	2,184	1,775
Mental Health Allocation Plan, Part B, Section 611	84.027A	15197	1,164,219	1,164,219
Alternate Dispute Resolution, Part B, Section 611	84.173A	13007	21,985	-
Total Special Education (IDEA) Cluster			17,787,370	16,250,101
Early Intervention Grants, Part C	84.181	23761	226,304	-
Passed through Los Angeles County Office of Education				
Education for Homeless Children and Youth	84.196	14332	2,099	-
Total U.S. Department of Education			19,909,126	16,250,101
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through California Department of Health Care Services				
Medicaid Cluster:				
Medi-Cal Administrative Activities	93.778	10060	54,025	-
Medi-Cal Billing Option	93.778	10013	293,081	-
Total Medicaid Cluster			347,106	-
Total U.S. Department of Health and Human Services			347,106	-

See accompanying note to supplementary information.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE				
Passed through CDE				
Child Nutrition Cluster				
National School Lunch Program	10.555	13396	\$ 2,060,232	\$ -
Meal Supplement	10.555	13396	77,582	-
Especially Needy Breakfast Program	10.553	13526	446,092	-
Summer Seamless Option	10.559	13004	110,161	-
Commodities	10.555	13396	183,959	-
Total Child Nutrition Cluster			2,878,026	-
Child Nutrition: CACFP Claims - Centers and Family Day Care	10.558	13393	257,769	-
Passed through Los Angeles County Department of Health				
Healthy Communities Initiative	10.561	PH-003248	322,416	-
Total U.S. Department of Agriculture			3,458,211	-
Total Expenditures of Federal Awards			\$ 23,714,443	\$ 16,250,101

See accompanying note to supplementary information.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2018

ORGANIZATION

The Lawndale Elementary School District was established in October 1906 and consists of an area comprising approximately 2.5 square miles. The District operates six elementary schools and two middle schools. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mrs. Shirley Bennett	President	2020
Mrs. Ann Phillips	Clerk	2018
Mrs. Cathy Burris	Trustee	2020
Ms. Bonnie J. Coronado	Trustee	2018
Mrs. Shirley Rudolph	Trustee	2018

ADMINISTRATION

Dr. Elizabeth Hamilton	Superintendent of Schools
Dr. Gretchen Janson	Assistant Superintendent of Business Services
Mr. Travis Collier	Assistant Superintendent of Educational Services
Dr. Juan Santos	Assistant Superintendent of Human Resources

See accompanying note to supplementary information.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2018

	Final Report	
	Revised Second Period Report*	Revised Annual Report*
Regular ADA		
Transitional kindergarten through third	2,228.55	2,223.91
Fourth through sixth	1,780.35	1,781.35
Seventh and eighth	1,211.76	1,211.40
Total Regular ADA	5,220.66	5,216.66
Extended Year Special Education		
Transitional kindergarten through third	6.32	6.32
Fourth through sixth	5.47	5.47
Seventh and eighth	0.46	0.46
Total Extended Year Special Education	12.25	12.25
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.70	1.72
Fourth through sixth	1.34	1.56
Seventh and eighth	3.10	3.06
Total Special Education, Nonpublic, Nonsectarian Schools	6.14	6.34
Total ADA	5,239.05	5,235.25

* The Second Period Report and the Annual Report were revised on August 17, 2018.

See accompanying note to supplementary information.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	1986-87	2017-18	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	50,515	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		50,515	180	N/A	Complied
Grade 2		50,515	180	N/A	Complied
Grade 3		50,515	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,195	180	N/A	Complied
Grade 5		54,195	180	N/A	Complied
Grade 6		59,530	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		59,530	180	N/A	Complied
Grade 8		59,530	180	N/A	Complied

See accompanying note to supplementary information.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2018.

See accompanying note to supplementary information.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

	(Budget) 2019 ¹	2018	(as restated) 2017	2016
GENERAL FUND ³				
Revenues	\$ 79,414,032	\$ 74,995,135	\$ 78,580,075	\$ 68,602,240
Other sources and transfers in	415,604	355,604	331,936	243,486
Total Revenues and Other Sources	79,829,636	75,350,739	78,912,011	68,845,726
Expenditures	78,003,381	71,624,573	70,555,370	63,648,169
Other uses and transfers out	580,125	591,803	592,828	2,823,361
Total Expenditures and Other Uses	78,583,506	72,216,376	71,148,198	66,471,530
INCREASE IN FUND BALANCE	\$ 1,246,130	\$ 3,134,363	\$ 7,763,813	\$ 2,374,196
ENDING FUND BALANCE	\$ 21,904,794	\$ 20,658,664	\$ 17,524,301	\$ 9,760,488
AVAILABLE RESERVES ²	\$ 14,256,391	\$ 12,924,132	\$ 10,918,507	\$ 7,146,849
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	18.14%	17.90%	15.35%	10.75%
LONG-TERM OBLIGATIONS ⁴	N/A	\$ 39,717,350	\$ 39,726,030	\$ 22,275,959
K-12 AVERAGE DAILY ATTENDANCE AT P-2	5,234	5,239	5,307	5,477

The General Fund balance has increased by \$10,898,176 over the past two years. The fiscal year 2018-2019 budget projects a further increase of \$1,246,130 (six percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in the past three years and anticipates incurring an operating surplus during the 2018-2019 fiscal year. Total long-term obligations have increased by \$17,441,391 over the past two years.

Average daily attendance has decreased by 238 over the past two years. An additional decline of five ADA is anticipated during fiscal year 2018-2019.

¹ Budget 2019 is included for analytical purposes only and has not been subjected to audit.

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

³ General Fund amounts do not include activity related to the consolidation of the Deferred Maintenance Fund, and Special Reserve Fund for Other Than Capital Outlay Projects as required by GASB Statement No. 54.

⁴ Long-term obligations have been restated for the year ending June 30, 2017 due to the implementation of GASB Statement No. 75.

See accompanying note to supplementary information.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2018**

Name of Charter School	Included in Audit Report
Environmental Charter School (0353)	No

See accompanying note to supplementary information.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET JUNE 30, 2018

	Cafeteria Fund	Child Development Fund	Capital Facilities Fund	State School Building Lease-Purchase Fund
ASSETS				
Deposits and investments	\$ 664,805	\$ 129,561	\$ 45,247	\$ 29,171
Receivables	584,685	155,883	75,622	161
Stores inventories	29,295	-	-	-
Total Assets	<u>\$ 1,278,785</u>	<u>\$ 285,444</u>	<u>\$ 120,869</u>	<u>\$ 29,332</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 351,587	\$ 274,607	\$ -	\$ 716
Fund Balances:				
Nonspendable	29,964	-	-	-
Restricted	897,234	10,837	120,869	28,616
Assigned	-	-	-	-
Total Fund Balances	<u>927,198</u>	<u>10,837</u>	<u>120,869</u>	<u>28,616</u>
Total Liabilities and Fund Balances	<u>\$ 1,278,785</u>	<u>\$ 285,444</u>	<u>\$ 120,869</u>	<u>\$ 29,332</u>

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Tax Override Fund	Debt Service Fund	Non-Major Governmental Funds
\$ 36,187	\$ 3,078,589	\$ 1,893,665	\$ 9	\$ 19,954	\$ 5,897,188
200	15,999	-	-	110	832,660
-	-	-	-	-	29,295
<u>\$ 36,387</u>	<u>\$ 3,094,588</u>	<u>\$ 1,893,665</u>	<u>\$ 9</u>	<u>\$ 20,064</u>	<u>\$ 6,759,143</u>

<u>\$ -</u>	<u>\$ 44,888</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 671,798</u>
-	-	-	-	-	29,964
36,387	-	1,893,665	9	20,064	3,007,681
-	3,049,700	-	-	-	3,049,700
<u>36,387</u>	<u>3,049,700</u>	<u>1,893,665</u>	<u>9</u>	<u>20,064</u>	<u>6,087,345</u>
<u>\$ 36,387</u>	<u>\$ 3,094,588</u>	<u>\$ 1,893,665</u>	<u>\$ 9</u>	<u>\$ 20,064</u>	<u>\$ 6,759,143</u>

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2018

	Cafeteria Fund	Child Development Fund	Capital Facilities Fund	State School Building Lease-Purchase Fund
REVENUES				
Federal sources	\$ 3,129,275	\$ -	\$ -	\$ -
Other State sources	206,674	2,099,055	-	-
Other local sources	222,716	5,025	100,358	452
Total Revenues	3,558,665	2,104,080	100,358	452
EXPENDITURES				
Current				
Instruction	-	1,808,596	-	-
Instruction-related activities:				
Supervision of instruction	-	254,298	-	-
School site administration	-	74,217	-	-
Pupil services:				
Food services	3,162,593	16,204	-	-
General administration:				
All other general administration	134,000	90,873	5,167	-
Plant services	-	882	-	-
Facility acquisition and construction	231,890	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	3,528,483	2,245,070	5,167	-
Excess (Deficiency) of Revenues Over Expenditures	30,182	(140,990)	95,191	452
Other Financing Sources (Uses)				
Transfers in	11,677	-	-	-
Transfers out	(100,000)	-	-	-
Net Financing Sources (Uses)	(88,323)	-	-	-
NET CHANGE IN FUND BALANCES	(58,141)	(140,990)	95,191	452
Fund Balances - Beginning	985,339	151,827	25,678	28,164
Fund Balances - Ending	\$ 927,198	\$ 10,837	\$ 120,869	\$ 28,616

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Tax Override Fund	Debt Service Fund	Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,129,275
-	-	17,010	-	-	2,322,739
561	46,235	2,354,394	-	309	2,730,050
561	46,235	2,371,404	-	309	8,182,064
-	-	-	-	-	1,808,596
-	-	-	-	-	254,298
-	-	-	-	-	74,217
-	-	-	-	-	3,178,797
-	-	-	-	-	230,040
-	124,433	-	-	-	125,315
-	229,266	-	-	-	461,156
-	-	825,000	-	-	825,000
-	-	984,642	-	-	984,642
-	353,699	1,809,642	-	-	7,942,061
561	(307,464)	561,762	-	309	240,003
-	214,445	-	-	-	226,122
-	-	-	-	-	(100,000)
-	214,445	-	-	-	126,122
561	(93,019)	561,762	-	309	366,125
35,826	3,142,719	1,331,903	9	19,755	5,721,220
\$ 36,387	\$ 3,049,700	\$ 1,893,665	\$ 9	\$ 20,064	\$ 6,087,345

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Medi-Cal Administrative Activities, Medi-Cal Billing Option, and Commodities funds that in a previous period were recorded as revenues but unspent. These unspent balances have been expended in the current period. In addition, Child and Adult Care Food Program funds have been recorded in the previous period were recorded as revenues but were unspent as of June 30, 2018.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 23,553,403
Medi-Cal Administrative Activities	93.778	110,336
Medi-Cal Billing Option	93.778	44,184
Commodities	10.555	41,055
Child and Adult Care Food Program	10.558	(34,535)
Total Schedule of Expenditures of Federal Awards		<u>\$ 23,714,443</u>

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2018

Schedule of Instructional Time

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

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

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

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

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

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

INDEPENDENT AUDITOR'S REPORTS



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

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

Board of Trustees
Lawndale Elementary School District
Lawndale, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lawndale Elementary School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Vanneth Tume, Day & Co, LLP

Rancho Cucamonga, California
December 12, 2018



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Lawndale Elementary School District
Lawndale, California

Report on Compliance for Each Major Federal Program

We have audited Lawndale Elementary School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2018. The 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 Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the 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, 2018.

Report on Internal Control Over Compliance

Management of the 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 the 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 the Uniform Guidance, 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 the 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 a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Vanneth Tume, Day & Co, LLP

Rancho Cucamonga, California
December 12, 2018



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Lawndale Elementary School District
Lawndale, California

Report on State Compliance

We have audited Lawndale Elementary School District's (the District) compliance with the types of compliance requirements as identified in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's State government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018.

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

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

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

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

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

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

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

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

The Charter School is independent of the District; therefore, we did not perform any procedures related to charter schools.

Vanneth, Treme, Day & Co, LLP

Rancho Cucamonga, California
December 12, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LAWNDALE ELEMENTARY SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	Title I, Part A, Basic Grants
<u>84.010</u>	<u>Low-Income and Neglected</u>
<u>84.027, 84.027A, 84.173, 84.173A</u>	<u>Special Education (IDEA) Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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LAWNDALE ELEMENTARY SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

None reported.

Federal Awards Findings

2017-001 50000

Federal Program Affected

Program Name: Special Education (IDEA) Cluster: Preschool Local Entitlement, Part B, Section 611
CFDA Number: 84.027A
Passed through from California Department of Education
Federal Agency: U.S. Department of Education

Compliance Requirement

ED Cross-Cutting Section, Allowable Costs/Cost Principles

Criteria or Specific Requirements

Funds that are received are spent only for reasonable and necessary costs of the program (34 CFR section 299.2(b)) and comply with cost principles outlined in 2 CFR part 200, subpart E. Alcoholic beverage purchases are unallowable (2 CFR section 200.423).

Condition

Significant Deficiency – The District did not comply with 2 CFR section 200.423 of the Allowable Cost Principles.

Questioned Costs

There was no questioned costs associated with the condition identified.

Context

In review of allowable costs for the program, the unallowable purchase was identified and included with a travel reimbursement request by a program employee.

Effect

The District did not comply with the Allowable Cost Principles identified in 2 CFR part 200, subpart E.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

Cause

The District has not implemented policies and procedures to ensure that program expenses met the criteria set forth in 2 CFR part 200, subpart E.

Repeat Finding: No

Recommendation

The District should implement policies and procedures to ensure that funds that are received are spent only for reasonable and necessary costs of the program and that costs charged to the program comply with Allowable Cost Principles described in 2 CFR part 200, subpart E.

Current Status

Implemented.

State Awards Findings

None reported.