

# **Lawndale Elementary School District**

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## **Annual Financial Report**

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**June 30, 2017**

# LAWNDAL ELEMEN TARY SCHOOL DISTRICT

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JUNE 30, 2017

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***FINANCIAL SECTION***

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**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, 2017, 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 *2016-2017 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, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14, budgetary comparison schedules on pages 68 and 69, schedule of other postemployment benefits funding progress on page 70, schedule of the District's proportionate share of net pension liability on page 71, and the schedule of District contributions on page 72, 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 15, 2017, 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 Lawndale Elementary School District's internal control over financial reporting and compliance.

*Vanneth Tume, Day & Co, LLP*

Rancho Cucamonga, California  
December 15, 2017

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

4161 West 147<sup>th</sup> Street • Lawndale, CA 90260 • (310) 973-1300 FAX (310) 263-6492



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, 2017, with comparative information from the fiscal year ending June 30, 2016. 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, 2017

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### REPORTING THE DISTRICT AS A WHOLE

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

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

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

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

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

**Governmental Activities** - 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, 2017

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**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, 2017

### FINANCIAL HIGHLIGHTS

#### THE DISTRICT AS A WHOLE

##### Net Position

The District's net position was \$(7.1) million for governmental activities for the fiscal year ended June 30, 2017. Of this amount, \$(39.6) million was unrestricted. Restricted net position are reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental and business-type activities.

**Table 1**

(Amounts in thousands)

	Governmental Activities		Business-Type Activities		School District Activities	
	2017	2016	2017	2016	2017	2016
<b>Assets</b>						
Current and other assets	\$ 67,699.8	\$ 26,703.1	\$ 457.1	\$ 432.6	\$ 68,156.9	\$ 27,135.7
Capital assets	43,180.1	45,901.5	-	-	43,180.1	45,901.5
<b>Total Assets</b>	<b>110,879.9</b>	<b>72,604.6</b>	<b>457.1</b>	<b>432.6</b>	<b>111,337.0</b>	<b>73,037.2</b>
<b>Deferred Outflows of Resources</b>	<b>15,957.5</b>	<b>12,051.5</b>	<b>-</b>	<b>-</b>	<b>15,957.5</b>	<b>12,051.5</b>
<b>Liabilities</b>						
Current liabilities	32,796.4	7,736.0	17.0	18.4	32,813.4	7,754.4
Long-term obligations	32,408.0	22,276.0	-	-	32,408.0	22,276.0
Aggregate net pension liability	66,812.8	52,209.7	-	-	66,812.8	52,209.7
<b>Total Liabilities</b>	<b>132,017.2</b>	<b>82,221.7</b>	<b>17.0</b>	<b>18.4</b>	<b>132,034.2</b>	<b>82,240.1</b>
<b>Deferred Inflows of Resources</b>	<b>1,911.9</b>	<b>10,630.8</b>	<b>-</b>	<b>-</b>	<b>1,911.9</b>	<b>10,630.8</b>
<b>Net Position</b>						
Net investment in capital assets	23,679.4	27,137.7	-	-	23,679.4	27,137.7
Restricted	8,813.7	4,395.5	-	-	8,813.7	4,395.5
Unrestricted	(39,584.8)	(39,729.6)	440.1	414.2	(39,144.7)	(39,315.4)
<b>Total Net Position</b>	<b>\$ (7,091.7)</b>	<b>\$ (8,196.4)</b>	<b>\$ 440.1</b>	<b>\$ 414.2</b>	<b>\$ (6,651.6)</b>	<b>\$ (7,782.2)</b>

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

### Changes in Net Position

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

**Table 2**

(Amounts in thousands)

	Governmental Activities		Business-Type Activities		School District Activities	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 456.9	\$ 362.0	\$ -	\$ -	\$ 456.9	\$ 362.0
Operating grants and contributions	91,869.6	15,803.0	-	-	91,869.6	15,803.0
General revenues:						
Local control funding formula	46,375.1	46,775.8	-	-	46,375.1	46,775.8
Property taxes	11,128.3	10,006.1	-	-	11,128.3	10,006.1
Other general revenues	1,890.5	7,490.2	105.7	100.7	1,996.2	7,590.9
<b>Total Revenues</b>	<b>151,720.4</b>	<b>80,437.1</b>	<b>105.7</b>	<b>100.7</b>	<b>151,826.1</b>	<b>80,537.8</b>
<b>Expenses</b>						
Instruction-related	62,275.7	55,357.0	-	-	62,275.7	55,357.0
Pupil services	8,970.1	8,010.1	-	-	8,970.1	8,010.1
Administration	5,666.1	4,865.6	-	-	5,666.1	4,865.6
Plant	5,452.4	4,689.0	-	-	5,452.4	4,689.0
Other	68,251.4	5,286.4	79.8	148.7	68,331.2	5,435.1
<b>Total Expenses</b>	<b>150,615.7</b>	<b>78,208.1</b>	<b>79.8</b>	<b>148.7</b>	<b>150,695.5</b>	<b>78,356.8</b>
<b>Change in Net Position</b>	<b>\$ 1,104.7</b>	<b>\$ 2,229.0</b>	<b>\$ 25.9</b>	<b>\$ (48.0)</b>	<b>\$ 1,130.6</b>	<b>\$ 2,181.0</b>

### Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was \$150.6 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$11.1 million because the cost was paid by those who benefited from the programs (\$0.5 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$91.9 million). We paid for the remaining "public benefit" portion of our governmental activities from the \$46.4 million we received in State funds, and from \$1.9 million of other revenues, like interest and general entitlements.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2017**

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In Table 3, we have presented the *cost* of each of the District's largest functions including instruction, instruction-related activities, pupil services, administration, plant, and other activities, 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**

(Amounts in thousands)

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction	\$ 52,724.0	\$ 48,880.5	\$ (37,678.7)	\$ (38,669.6)
Instruction-related activities	9,551.7	6,476.5	(5,216.5)	(4,601.1)
Pupil services	8,970.1	8,010.1	(3,803.9)	(4,773.0)
Administration	5,666.1	4,865.6	(2,890.0)	(4,444.2)
Plant	5,452.4	4,689.0	(5,089.2)	(4,652.0)
Other	68,251.4	5,286.4	(3,610.9)	(4,903.2)
<b>Total</b>	<b>\$ 150,615.7</b>	<b>\$ 78,208.1</b>	<b>\$ (58,289.2)</b>	<b>\$ (62,043.1)</b>

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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### THE DISTRICT'S FUNDS

As the District completed the year, our governmental funds reported a combined fund balance of \$35.2 million, which is an increase of \$16.0 million from last year (Table 4). This \$16.0 million increase is the net difference in the following fund balances from the prior year.

**Table 4**

(Amounts in thousands)

	Balances and Activity			
	July 01, 2016	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2017
General Fund	\$ 12,655.5	\$ 78,711.9	\$ 70,782.5	\$ 20,584.9
Special Education Pass-Through Fund	-	64,936.8	64,936.8	-
Building Fund	74.6	10,035.8	1,251.2	8,859.2
Cafeteria Fund	874.0	3,734.5	3,623.2	985.3
Child Development Fund	147.3	2,237.7	2,233.2	151.8
Capital Facilities Fund	159.2	12.9	146.4	25.7
State School Building Fund	28.0	0.2	-	28.2
County School Facilities Fund	35.4	0.4	-	35.8
Special Reserve Fund for Capital Outlay Projects	4,019.5	251.4	1,128.2	3,142.7
Bond Interest and Redemption Fund	1,164.7	6,808.1	6,640.9	1,331.9
Debt Service Fund	19.5	0.3	-	19.8
<b>Total</b>	<b>\$ 19,177.7</b>	<b>\$ 166,730.0</b>	<b>\$ 150,742.4</b>	<b>\$ 35,165.3</b>

### 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, 2016, and the second Interim Budget report was prepared based upon the actual information through January 31, 2017. (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 68.)

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2017, the District had \$43.2 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of approximately \$2.7 million, or 5.9 percent, from last year (Table 5).

**Table 5**

(Amounts in thousands)

	Governmental Activities	
	2017	2016
Land and construction in progress	\$ 2,560.7	\$ 1,686.4
Buildings and improvements	39,226.4	42,814.5
Equipment	1,393.0	1,400.6
<b>Total</b>	<b>\$ 43,180.1</b>	<b>\$ 45,901.5</b>

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 \$28.5 million in general obligation bonds outstanding versus \$18.8 million last year, an increase of 51.2 percent. The long-term obligations consisted of:

**Table 6**

(Amounts in thousands)

	Governmental Activities	
	2017	2016
General obligation bonds - net (financed with property taxes)	\$ 28,480.2	\$ 18,838.3
Compensated absences	563.0	514.1
Net OPEB obligation	3,364.8	2,923.6
<b>Total</b>	<b>\$ 32,408.0</b>	<b>\$ 22,276.0</b>

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 \$28.5 million is significantly below the statutorily-imposed limit.

Other obligations include compensated absences and the net OPEB obligation. 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, 2017

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### Net Pension Liability (NPL)

At year-end, the District had a net pension liability for CalSTRS and CalPERS of \$66.8 million.

### SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2016-2017 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 began at the close of the 2017 fiscal year included: new roofing at Anderson, FDR and Green, school-wide exterior painting at Anderson, Green, Addams, and Rogers and a new sound wall on the perimeter of FDR.

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

In considering the District Budget for the 2017-2018 fiscal year, the Governing Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Continued implementation of the Local Control Funding Formula. The District also revised and adopted a Local Control Accountability Plan (LCAP) using stakeholder input to develop goals to enhance student achievement.
2. Average daily attendance (ADA) enrollments were down 65 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, 2017**

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### **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](mailto:Gretchen_janson@lawndalesd.net).

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Deposits and investments	\$ 54,777,981	\$ 455,284	\$ 55,233,265
Receivables	12,839,568	1,864	12,841,432
Stores inventories	78,415	-	78,415
Other current assets	3,811	-	3,811
Capital assets:			
Land and construction in progress	2,560,731	-	2,560,731
Other capital assets	95,437,137	-	95,437,137
Less: Accumulated depreciation	(54,817,777)	-	(54,817,777)
Total Capital Assets	43,180,091	-	43,180,091
<b>Total Assets</b>	<b>110,879,866</b>	<b>457,148</b>	<b>111,337,014</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	120,335	-	120,335
Deferred outflows of resources related to pensions	15,837,137	-	15,837,137
<b>Total Deferred Outflows of Resources</b>	<b>15,957,472</b>	<b>-</b>	<b>15,957,472</b>
<b>LIABILITIES</b>			
Accounts payable	32,514,139	17,048	32,531,187
Accrued interest payable	261,894	-	261,894
Unearned revenue	20,315	-	20,315
Long-term obligations:			
Current portion of long-term obligations other than pensions	825,000	-	825,000
Noncurrent portion of long-term obligations other than pensions	31,582,962	-	31,582,962
Total Long-Term Obligations	32,407,962	-	32,407,962
Aggregate net pension liability	66,812,751	-	66,812,751
<b>Total Liabilities</b>	<b>132,017,061</b>	<b>17,048</b>	<b>132,034,109</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	1,911,948	-	1,911,948
<b>NET POSITION</b>			
Net investment in capital assets	23,679,433	-	23,679,433
Restricted for:			
Debt service	1,089,773	-	1,089,773
Capital projects	89,668	-	89,668
Educational programs	6,523,817	-	6,523,817
Other activities	1,110,481	-	1,110,481
Unrestricted	(39,584,843)	440,100	(39,144,743)
<b>Total Net Position</b>	<b>\$ (7,091,671)</b>	<b>\$ 440,100</b>	<b>\$ (6,651,571)</b>

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

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
<b>Governmental Activities:</b>			
Instruction	\$ 52,724,042	\$ 28,976	\$ 15,016,386
Instruction-related activities:			
Supervision of instruction	4,682,020	11,632	4,118,506
Instructional library, media, and technology	968,667	-	7,359
School site administration	3,900,964	-	197,634
Pupil services:			
Home-to-school transportation	704,999	-	65,993
Food services	3,788,921	217,361	3,052,199
All other pupil services	4,476,201	4,262	1,826,397
General administration:			
Data processing	1,029,031	-	9,218
All other general administration	4,637,104	16,829	2,750,040
Plant services	5,452,432	465	362,822
Community services	318,109	-	17,338
Interest on long-term obligations	1,022,420	-	-
Other outgo	66,910,790	177,353	64,445,689
<b>Total Governmental Activities</b>	<b>150,615,700</b>	<b>456,878</b>	<b>91,869,581</b>
<b>Business-Type Activities</b>			
Enterprise services	79,777	-	-
<b>Total School District</b>	<b>\$ 150,695,477</b>	<b>\$ 456,878</b>	<b>\$ 91,869,581</b>

### 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

Net Position - Ending

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

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<b>Net (Expenses) Revenues and Changes in Net Position</b>		
<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
\$ (37,678,680)	\$ -	\$ (37,678,680)
(551,882)	-	(551,882)
(961,308)	-	(961,308)
(3,703,330)	-	(3,703,330)
(639,006)	-	(639,006)
(519,361)	-	(519,361)
(2,645,542)	-	(2,645,542)
(1,019,813)	-	(1,019,813)
(1,870,235)	-	(1,870,235)
(5,089,145)	-	(5,089,145)
(300,771)	-	(300,771)
(1,022,420)	-	(1,022,420)
(2,287,748)	-	(2,287,748)
<u>(58,289,241)</u>	<u>-</u>	<u>(58,289,241)</u>
-	(79,777)	(79,777)
<u>(58,289,241)</u>	<u>(79,777)</u>	<u>(58,369,018)</u>
8,112,090	-	8,112,090
1,476,121	-	1,476,121
1,540,131	-	1,540,131
46,375,096	-	46,375,096
214,887	4,123	219,010
1,675,604	101,550	1,777,154
<u>59,393,929</u>	<u>105,673</u>	<u>59,499,602</u>
1,104,688	25,896	1,130,584
(8,196,359)	414,204	(7,782,155)
<u>\$ (7,091,671)</u>	<u>\$ 440,100</u>	<u>\$ (6,651,571)</u>

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2017

	<b>General Fund</b>	<b>Special Education Pass-Through Fund</b>	<b>Building Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 26,114,946	\$ 13,485,366	\$ 9,835,070
Receivables	2,563,975	9,282,748	34,140
Stores inventories	52,399	-	-
Other current assets	3,811	-	-
<b>Total Assets</b>	<b>\$ 28,735,131</b>	<b>\$ 22,768,114</b>	<b>\$ 9,869,210</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 8,129,960	\$ 22,768,114	\$ 1,009,965
Unearned revenue	20,315	-	-
<b>Total Liabilities</b>	<b>8,150,275</b>	<b>22,768,114</b>	<b>1,009,965</b>
<b>Fund Balances:</b>			
Nonspendable	67,399	-	-
Restricted	6,523,817	-	8,859,245
Assigned	3,075,133	-	-
Unassigned	10,918,507	-	-
<b>Total Fund Balances</b>	<b>20,584,856</b>	<b>-</b>	<b>8,859,245</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 28,735,131</b>	<b>\$ 22,768,114</b>	<b>\$ 9,869,210</b>

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

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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 5,342,599	\$ 54,777,981
958,705	12,839,568
26,016	78,415
-	3,811
<u>\$ 6,327,320</u>	<u>\$ 67,699,775</u>

\$ 606,100	\$ 32,514,139
-	20,315
<u>606,100</u>	<u>32,534,454</u>
26,685	94,084
2,551,816	17,934,878
3,142,719	6,217,852
-	10,918,507
<u>5,721,220</u>	<u>35,165,321</u>
<u>\$ 6,327,320</u>	<u>\$ 67,699,775</u>

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2017

<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 35,165,321</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is:	\$ 97,997,868	
Accumulated depreciation is:	(54,817,777)	
Total Net Capital Assets		43,180,091
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 greater) are included with governmental activities.		120,335
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.		(261,894)
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	5,623,966	
Net change in proportionate share of net pension liability	2,730,400	
Differences between projected and actual earnings on pension plan investments	6,695,919	
Differences between expected and actual experience in the measurement of the total pension liability	786,852	
Total Deferred Outflows of Resources Related to Pensions		15,837,137
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	(178,757)	
Differences between expected and actual experience in the measurement of the total pension liability	(1,183,541)	
Changes in assumptions	(549,650)	
Total Deferred Inflows of Resources Related to Pensions		(1,911,948)
Net pension liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		(66,812,751)
Long-term obligations at year-end consist of:		
General obligation bonds	27,610,000	
Unamortized premium	870,238	
Compensated absences	562,943	
Other postemployment benefits (OPEB)	3,364,781	
Total Long-Term Obligations		(32,407,962)
<b>Total Net Position - Governmental Activities</b>		<b>\$ (7,091,671)</b>

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, 2017

	General Fund	Special Education Pass-Through Fund	Building Fund
<b>REVENUES</b>			
Local Control Funding Formula	\$ 52,187,491	\$ -	\$ -
Federal sources	4,489,532	19,714,571	-
Other State sources	16,995,886	45,165,224	-
Other local sources	4,939,019	57,044	35,754
<b>Total Revenues</b>	<b>78,611,928</b>	<b>64,936,839</b>	<b>35,754</b>
<b>EXPENDITURES</b>			
Current:			
Instruction	45,435,153	-	-
Instruction-related activities:			
Supervision of instruction	4,425,366	-	-
Instructional library, media, and technology	920,677	-	-
School site administration	3,584,004	-	-
Pupil services:			
Home-to-school transportation	654,162	-	-
Food services	3,084	-	-
All other pupil services	4,043,121	-	-
General administration:			
Data processing	1,115,749	-	-
All other general administration	3,641,532	-	-
Plant services	4,784,543	-	1,950
Facility acquisition and construction	-	-	1,119,100
Community services	301,176	-	-
Other outgo	1,646,803	64,936,839	-
Debt service			
Principal	-	-	-
Interest and other	-	-	130,000
<b>Total Expenditures</b>	<b>70,555,370</b>	<b>64,936,839</b>	<b>1,251,050</b>
<b>Excess (Deficiency) of Revenues</b>			
<b>Over Expenditures</b>	<b>8,056,558</b>	<b>-</b>	<b>(1,215,296)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	100,000	-	-
Other sources - proceeds from refunding bonds	-	-	-
Other sources - proceeds from issuance of bonds	-	-	10,000,000
Transfers out	(227,148)	-	-
Other uses - payment to bond escrow agent	-	-	-
<b>Net Financing Sources (Uses)</b>	<b>(127,148)</b>	<b>-</b>	<b>10,000,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>7,929,410</b>	<b>-</b>	<b>8,784,704</b>
<b>Fund Balances - Beginning</b>	<b>12,655,446</b>	<b>-</b>	<b>74,541</b>
<b>Fund Balances - Ending</b>	<b>\$ 20,584,856</b>	<b>\$ -</b>	<b>\$ 8,859,245</b>

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



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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 52,187,491
3,266,957	27,471,060
2,448,536	64,609,646
1,781,365	6,813,182
<u>7,496,858</u>	<u>151,081,379</u>
1,799,052	47,234,205
228,230	4,653,596
-	920,677
74,239	3,658,243
-	654,162
3,407,115	3,410,199
-	4,043,121
-	1,115,749
243,507	3,885,039
107,504	4,893,997
1,171,277	2,290,377
-	301,176
-	66,583,642
725,000	725,000
898,517	1,028,517
<u>8,654,441</u>	<u>145,397,700</u>
<u>(1,157,583)</u>	<u>5,683,679</u>
227,148	327,148
5,321,319	5,321,319
-	10,000,000
(100,000)	(327,148)
<u>(5,017,375)</u>	<u>(5,017,375)</u>
<u>431,092</u>	<u>10,303,944</u>
(726,491)	15,987,623
6,447,711	19,177,698
<u>\$ 5,721,220</u>	<u>\$ 35,165,321</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, 2017

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**Total Net Change in Fund Balances - Governmental Funds** **\$ 15,987,623**

**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	\$ (5,266,736)	
Capital outlays	<u>2,545,350</u>	(2,721,386)

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 more than the amounts used by \$48,878. (48,878)

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.

(2,098,596)

Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities:

Sale of general obligation bonds	(10,000,000)	
Sale of refunding general obligation bonds	<u>(5,080,000)</u>	(15,080,000)

Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities:

Premium on issuance	(241,319)	
Deferred amount on refunding	<u>122,375</u>	
Combined Adjustment		(118,944)

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 5,620,000

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

(441,228)

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, 2017

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

Amortization of debt premium	\$	59,422	
Amortization of deferred charge on refunding		<u>(2,040)</u>	
Combined adjustment			\$ 57,382

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.

		(51,285)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>1,104,688</u></b>

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

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## PROPRIETARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2017

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	<b>Business-Type Activities Enterprise Fund</b>
	<b>Child Care Fund</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Deposits and investments	\$ 455,284
Receivables	1,864
<b>Total Current Assets</b>	<b>457,148</b>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	17,048
<b>NET POSITION</b>	
Unrestricted	<b>\$ 440,100</b>

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, 2017

	<b>Business-Type Activities Enterprise Fund</b>
	<b>Child Care Fund</b>
<b>OPERATING REVENUES</b>	
Local and intermediate sources	\$ 101,550
<b>OPERATING EXPENSES</b>	
Payroll costs	77,145
Supplies and materials	685
Other operating cost	1,947
<b>Total Operating Expenses</b>	<b>79,777</b>
<b>Operating Income</b>	<b>21,773</b>
<b>NONOPERATING REVENUES</b>	
Interest income	4,123
<b>Change in Net Position</b>	<b>25,896</b>
<b>Total Net Position - Beginning</b>	<b>414,204</b>
<b>Total Net Position - Ending</b>	<b>\$ 440,100</b>

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, 2017

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	<b>Business-Type Activities Enterprise Fund Child Care Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from user charges	\$ 101,550
Cash payments for other operating expenses	(81,182)
Net Cash Provided by Operating Activities	<u>20,368</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>4,474</u>
 Net Change in Cash and Cash Equivalents	24,842
Cash and Cash Equivalents - Beginning	430,442
Cash and Cash Equivalents - Ending	<u><u>\$ 455,284</u></u>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 21,773
Changes in liabilities:	
Accounts payable	(1,405)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 20,368</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, 2017

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Deposits and investments	<u>\$ 45,874</u>
<b>LIABILITIES</b>	
Due to student groups	<u>\$ 45,874</u>

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

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### 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, 2017

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### 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 17, Special Reserve Fund for Other Than Capital Outlay Projects and Fund 14 Deferred Maintenance Fund 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 and fund balance of \$3,060,555, and \$3,060,555 respectively, and an increase in revenues of \$31,853.

**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 expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

**Cafeteria Fund** 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 that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

**State School Building Fund** The State School Building Fund is used primarily to account separately for State apportionments for the reconstruction, remodeling, or replacing 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), or the 2006 State School Facilities Fund (Proposition 1D) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

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

**Debt Service Funds** The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for, and the payment of, principal and interest on general long-term 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) tax levies to be financed from ad valorem tax levies.

**Debt Service Fund** This 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.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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**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, 2017

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**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**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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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, 2017, 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, 2017**

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### **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

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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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 and for pension 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.

### Fund Balances - Governmental Funds

As of June 30, 2017, 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.

**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.

# **LAWNDALE ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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### **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 \$8,813,739 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.

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.



# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### Estimates

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

### Budgetary Data

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

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

### Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of 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 \$1,355,227 in parcel tax receipts.

### Change in Accounting Principles

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

# LAWNDAL ELEMNTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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

The District has implemented the provisions of this Statement as of June 30, 2017.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The District has implemented the provisions of this Statement as of June 30, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has implemented the provisions of this Statement as of June 30, 2017.

# LAWNDAL E ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

### **New Accounting Pronouncements**

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

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

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

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

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.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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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;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

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

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

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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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.

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 54,777,981
Business-type activities	455,284
Fiduciary funds	45,874
Total Deposits and Investments	<u>\$ 55,279,139</u>

Deposits and investments as of June 30, 2017, consist of the following:

Cash on hand and in banks	\$ 51,874
Cash in revolving	15,669
Investments	55,211,596
Total Deposits and Investments	<u>\$ 55,279,139</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).

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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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.

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

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### 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 \$55,211,596 with the Los Angeles County Investment Pool that has an average weighted maturity of 672 days.

### 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, 2017.

### 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, 2017, the District did not have any deposits exposed to custodial credit risk because all balances were FDIC insured.



# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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### 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.

The District's fair value measurements are as follows at June 30, 2017:

Investment Type	Fair Value	Uncategorized
Los Angeles County Investment Pool	\$ 54,882,932	\$ 54,882,932

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

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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### NOTE 4 - RECEIVABLES

Receivables at June 30, 2017, 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	\$ 1,108,157	\$ 4,352,123	\$ -	\$ 588,900	\$ 6,049,180	\$ -
State Government						
Categorical aid	982,963	4,902,506	-	334,830	6,220,299	-
Lottery	232,275	-	-	-	232,275	-
Other State	-	-	-	13,729	13,729	-
Local Receivables						
Interest	90,375	28,119	34,140	21,246	173,880	1,864
Other	150,205	-	-	-	150,205	-
Total	<u>\$ 2,563,975</u>	<u>\$ 9,282,748</u>	<u>\$ 34,140</u>	<u>\$ 958,705</u>	<u>\$ 12,839,568</u>	<u>\$ 1,864</u>

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

### NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,370,117	\$ -	\$ -	\$ 1,370,117
Construction in progress	316,248	1,186,082	311,716	1,190,614
Total Capital Assets Not Being Depreciated	1,686,365	1,186,082	311,716	2,560,731
Capital Assets Being Depreciated:				
Land improvements	763,149	-	-	763,149
Buildings and improvements	87,635,770	1,388,122	-	89,023,892
Furniture and equipment	5,367,234	282,862	-	5,650,096
Total Capital Assets Being Depreciated	93,766,153	1,670,984	-	95,437,137
Total Capital Assets	95,452,518	2,857,066	311,716	97,997,868
Less Accumulated Depreciation:				
Land improvements	589,156	10,732	-	599,888
Buildings and improvements	44,995,292	4,965,454	-	49,960,746
Furniture and equipment	3,966,593	290,550	-	4,257,143
Total Accumulated Depreciation	49,551,041	5,266,736	-	54,817,777
Governmental Activities Capital Assets, Net	\$ 45,901,477	\$ (2,409,670)	\$ 311,716	\$ 43,180,091

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

<b>Governmental Activities</b>	
Instruction	\$ 3,801,894
Pupil transportation	50,837
Food services	274,684
All other pupil services	322,776
All other general administration	334,378
Data processing	87,157
Plant services	395,010
Total Depreciation Expenses Governmental Activities	<u>\$ 5,266,736</u>

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

### NOTE 6 - INTERFUND TRANSACTIONS

#### Operating Transfers

Interfund transfers for the year ended June 30, 2017, 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	227,148	-	227,148
	<u>\$ 227,148</u>	<u>\$ 100,000</u>	<u>\$ 327,148</u>

The General Fund transferred to the Cafeteria Non-Major Governmental Fund for alternative meals served and uncollectable accounts	\$ 12,703
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	<u>\$ 327,148</u>

### NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, 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	\$ 4,665,780	\$ -	\$ -	\$ 426,738	\$ 5,092,518	\$ 16,096
LCFF principal apportionment	1,012,900	-	-	-	1,012,900	-
Due to SELPA members	-	22,768,114	-	-	22,768,114	-
Construction	-	-	1,009,965	123,915	1,133,880	-
Vendor payables	2,451,280	-	-	55,447	2,506,727	952
Total	<u>\$ 8,129,960</u>	<u>\$ 22,768,114</u>	<u>\$ 1,009,965</u>	<u>\$ 606,100</u>	<u>\$ 32,514,139</u>	<u>\$ 17,048</u>

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2017, consists of the following:

	General Fund
Federal financial assistance	\$ 13,165
State categorical aid	7,150
Total	<u>\$ 20,315</u>

### NOTE 9 - LONG-TERM OBLIGATIONS

#### Summary

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
General obligation bonds	\$ 18,150,000	\$ 15,080,000	\$ 5,620,000	\$ 27,610,000	\$ 825,000
Premium on issuance	688,341	241,319	59,422	870,238	-
Compensated absences	514,065	48,878	-	562,943	-
Other postemployment benefit (OPEB)	2,923,553	673,164	231,936	3,364,781	-
	<u>\$ 22,275,959</u>	<u>\$ 16,043,361</u>	<u>\$ 5,911,358</u>	<u>\$ 32,407,962</u>	<u>\$ 825,000</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. Net OPEB obligations are paid from the General Fund.

#### General Obligation Bonds

##### 1998, General Obligation Bonds, Series B

In November 2002, the District issued, in the amount of \$13,000,000, the General Obligation Bonds, Election of 1998, Series B. The bonds bear interest rates of 3.50 to 5.25 percent. 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. The bonds were subject to a partial refunding, as described below by the 2010 General Obligation Refunding Bonds, and a full refunding as described below by the 2017 General Obligation Bonds. During the year ended June 30, 2017, the bonds were paid in full.

# **LAWNDALE ELEMENTARY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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### **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, 2017, the principal balance outstanding was \$3,000,000.

### **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, 2017, the principal balance outstanding was \$9,530,000. Unamortized premium received on issuance of the bonds amounted to \$631,375 as of June 30, 2017.

### **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, 2017, the principal balance outstanding was \$10,000,000. Unamortized premium received on issuance of the bonds amounted to \$192,962 as of June 30, 2017.

### **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.

\$4,895,000 is the principal amount to be refunded at the redemption date of August 1, 2017. At June 30, 2017, the balance of the funds in the escrow account was \$5,016,991. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. The refunding resulted in a cumulative cash flow saving of \$672,893 over the life of the new debt and an economic gain of \$1,376,622 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 3.249 percent.

At June 30, 2017, the principal balance of the 2017 General Obligation Refunding Bonds outstanding was \$5,080,000. Unamortized premium received on issuance of the bonds amounted to \$45,901 as of June 30, 2017.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Series	Issue	Maturity	Interest	Original	Bonds			Bonds	
					Outstanding	Issued	Redeemed	Outstanding	Due in
	Date	Date	Rate	Issue	July 1, 2016			June 30, 2017	One Year
1998, Series B	11/6/2002	3/21/2017	3.50-5.25%	\$ 13,000,000	\$ 4,895,000	\$ -	\$4,895,000	\$ -	\$ -
1998, Series C	8/25/2010	8/1/2027	3.00-4.25%	3,000,000	3,000,000	-	-	3,000,000	-
2010 Refunding	8/25/2010	8/1/2028	1.50-4.25%	13,170,000	10,255,000	-	725,000	9,530,000	765,000
2016, Series A	3/21/2017	8/1/2046	3.50-5.00%	10,000,000	-	10,000,000	-	10,000,000	-
2017 Refunding	3/21/2017	8/1/2032	2.00-4.00%	5,080,000	-	5,080,000	-	5,080,000	60,000
					\$ 18,150,000	\$ 15,080,000	\$5,620,000	\$27,610,000	\$ 825,000

### Debt Service Requirements to Maturity

The 1998 Series C bonds mature through 2028 as follows:

#### 1998, Series C

Fiscal Year	Principal	Interest to Maturity	Total
2018	\$ -	\$ 119,475	\$ 119,475
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
2023-2027	1,940,000	339,538	2,279,538
2028	565,000	11,300	576,300
Total	<u>\$ 3,000,000</u>	<u>\$ 925,213</u>	<u>\$ 3,925,213</u>

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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The 2010 Refunding bonds mature through 2029 as follows:

### 2010 Refunding

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2018	\$ 765,000	\$ 356,188	\$ 1,121,188
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
2023-2027	3,835,000	586,750	4,421,750
2028-2029	1,600,000	101,904	1,701,904
Total	<u>\$ 9,530,000</u>	<u>\$ 2,170,281</u>	<u>\$ 11,700,281</u>

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>
2018	\$ -	\$ 152,035	\$ 152,035
2019	425,000	421,019	846,019
2020	720,000	399,769	1,119,769
2021	-	363,769	363,769
2022	-	363,769	363,769
2023-2027	-	1,818,845	1,818,845
2028-2032	325,000	1,803,845	2,128,845
2033-2037	1,010,000	1,655,995	2,665,995
2038-2042	2,490,000	1,367,600	3,857,600
2043-2047	5,030,000	631,395	5,661,395
Total	<u>\$ 10,000,000</u>	<u>\$ 8,978,041</u>	<u>\$ 18,978,041</u>



# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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The 2017 Refunding bonds mature through 2033 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2018	\$ 60,000	\$ 61,660	\$ 121,660
2019	-	169,550	169,550
2020	-	169,550	169,550
2021	-	169,550	169,550
2022	-	169,550	169,550
2023-2027	645,000	847,750	1,492,750
2028-2032	3,585,000	482,975	4,067,975
2033	790,000	26,663	816,663
Total	<u>\$ 5,080,000</u>	<u>\$ 2,097,248</u>	<u>\$ 7,177,248</u>

### Compensated Absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2017, amounted to \$562,943.

### Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2017, was \$725,291, and contributions made by the District during the year were \$231,936. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$116,942 and \$(169,069), respectively, which resulted in an increase to the net OPEB obligation of \$441,228. As of June 30, 2017, the net OPEB obligation was \$3,364,781. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### 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	52,399	-	26,016	78,415
Total Nonspendable	<u>67,399</u>	<u>-</u>	<u>26,685</u>	<u>94,084</u>
Restricted				
Legally restricted programs	6,523,817	-	1,110,481	7,634,298
Capital projects	-	8,859,245	89,668	8,948,913
Debt services	-	-	1,351,667	1,351,667
Total Restricted	<u>6,523,817</u>	<u>8,859,245</u>	<u>2,551,816</u>	<u>17,934,878</u>
Assigned				
Retiree benefits	3,056,143	-	-	3,056,143
Deferred maintenance	4,412	-	-	4,412
Capital projects	-	-	3,142,719	3,142,719
USC Grant	14,578	-	-	14,578
Total Assigned	<u>3,075,133</u>	<u>-</u>	<u>3,142,719</u>	<u>6,217,852</u>
Unassigned				
Reserve for economic uncertainties	10,918,507	-	-	10,918,507
Total Unassigned	<u>10,918,507</u>	<u>-</u>	<u>-</u>	<u>10,918,507</u>
Total	<u>\$ 20,584,856</u>	<u>\$ 8,859,245</u>	<u>\$ 5,721,220</u>	<u>\$ 35,165,321</u>

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

#### Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 51 retirees and beneficiaries currently receiving benefits, terminated Plan members entitled to, but not yet receiving benefits, and 412 active Plan members.

#### Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and applicable groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2016-2017, the District contributed \$231,936 to the Plan, all of which was used for current premiums which represented 100 percent of total premiums.

#### Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$	725,291
Interest on net OPEB obligation		116,942
Adjustment to annual required contribution		(169,069)
Annual OPEB cost (expense)		673,164
Contributions made		(231,936)
Increase in net OPEB obligation		441,228
Net OPEB obligation, beginning of year		2,923,553
Net OPEB obligation, end of year	\$	3,364,781

#### Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2015	\$ 604,644	\$ 218,703	36%	\$ 2,546,959
2016	620,081	243,487	39%	2,923,553
2017	673,164	231,936	34%	3,364,781

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2015	\$ -	\$ 6,115,467	\$ 6,115,467	0%	N/A	N/A

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

### Actuarial Methods and Assumptions

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

In the July 1, 2015, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a four percent investment rate of return (net of administrative expenses). The District has not formed an irrevocable trust and currently funds the benefits on a pay-as-you-go basis. Health care cost trend rates changed from an initial six percent to an ultimate eight percent. The UAAL is being amortized at a level dollar method using a 30 year amortization period. The actuarial value of assets was not determined in this actuarial valuation as there were none.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### NOTE 12 - RISK MANAGEMENT

#### Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2017, 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 2017, 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	1,000,000
Alliance of Schools for Cooperative Insurance Programs (ASCIP)	Comprehensive Crime	3,250,000
<u>Excess Property and Liability Program</u>		
Schools Excess Liability Fund (SELF)	Excess Property and Liability	14,000,000

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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### NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2017, 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	\$ 48,517,958	\$ 10,236,123	\$ 1,183,541	\$ 5,176,879
CalPERS	18,294,793	5,601,014	728,407	2,545,683
Total	<u>\$ 66,812,751</u>	<u>\$ 15,837,137</u>	<u>\$ 1,911,948</u>	<u>\$ 7,722,562</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, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:  
<http://www.calstrs.com/member-publications>.

##### **Benefits Provided**

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

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, 2017**

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, 2017, 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	12.58%	12.58%
Required State contribution rate	8.828%	8.828%

### 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, 2017, are presented above, and the District's total contributions were \$4,011,651.

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

At June 30, 2017, 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	\$ 48,517,958
State's proportionate share of net pension liability associated with the District	27,620,408
Total	<u>\$ 76,138,366</u>

The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, was 0.0600 percent and 0.0576 percent, respectively, resulting in a net increase in the proportionate share of 0.0024 percent.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

For the year ended June 30, 2017, the District recognized pension expense of \$5,176,879. In addition, the District recognized pension expense and revenue of \$2,669,803 for support provided by the State. At June 30, 2017, 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	\$ 4,011,651	\$ -
Net change in proportionate share of net pension liability	2,367,317	-
Differences between projected and actual earnings on the pension plan investments	3,857,155	-
Differences between expected and actual experience in the measurement of the total pension liability	-	1,183,541
Total	<u>\$ 10,236,123</u>	<u>\$ 1,183,541</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
2018	\$ 84,151
2019	84,152
2020	2,242,177
2021	1,446,675
Total	<u>\$ 3,857,155</u>



# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 206,119
2019	206,119
2020	206,119
2021	206,119
2022	206,119
Thereafter	153,181
Total	<u>\$ 1,183,776</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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	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 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.60%)	\$ 69,828,283
Current discount rate (7.60%)	48,517,958
1% increase (8.60%)	30,818,840

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

#### **Plan Description**

Qualified employees are eligible to participate in the School Employer Pool (SEP) under 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, 2015, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:  
<https://www.calpers.ca.gov/page/forms-publications>.

#### **Benefits Provided**

CalPERS 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, 2017, 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%	6.00%
Required employer contribution rate	13.888%	13.888%

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers 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, 2017, are presented above, and the total District contributions were \$1,612,315.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$18,294,793. The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, was 0.0926 percent and 0.0913 percent, respectively, resulting in a net increase in the proportionate share of 0.0013 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$2,545,683. At June 30, 2017, 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	\$ 1,612,315	\$ -
Net change in proportionate share of net pension liability	363,083	178,757
Differences between projected and actual earnings on the pension plan investments	2,838,764	-
Differences between expected and actual experience in the measurement of the total pension liability	786,852	-
Changes of assumptions	-	549,650
Total	<u>\$ 5,601,014</u>	<u>\$ 728,407</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, 2017**

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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
2018	\$ 398,174
2019	398,175
2020	1,301,524
2021	740,891
Total	<u>\$ 2,838,764</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 245,867
2019	43,730
2020	131,931
Total	<u>\$ 421,528</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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

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

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

### Discount Rate

The discount rate used to measure the total pension liability was 7.65 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 (6.65%)	\$ 27,295,933
Current discount rate (7.65%)	18,294,793
1% increase (8.65%)	10,799,573

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### 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 \$2,357,942 (8.578 percent of annual payroll.) Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves, but have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

## NOTE 14 - COMMITMENTS AND CONTINGENCIES

### Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

### 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, 2017.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### Construction Commitments

As of June 30, 2017, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Construction Commitment	Expected Date of Completion
FDR Parking Lot	\$ 250,000	Summer 2018
FDR Roofing	631,750	September 2017
FDR Sound Fence	193,287	September 2017
Green Roofing/Painting	1,087,830	September 2017
Anderson Roofing/Painting	773,728	September 2017
Addams Painting	13,855	September 2017
Rogers Painting	119,289	September 2017
	<u>\$ 3,069,739</u>	

### NOTE 15 - 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, 2017, the District made payments of \$1,610,962 to the ASCIP.



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***REQUIRED SUPPLEMENTARY INFORMATION***

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# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variances -
	Original	Final	(GAAP Basis)	Positive (Negative) Final to Actual
<b>REVENUES</b>				
Local Control Funding Formula	\$ 51,975,183	\$ 52,093,280	\$ 52,187,491	\$ 94,211
Federal sources	3,429,816	4,348,788	4,489,532	140,744
Other State sources	11,519,155	12,353,867	16,995,886	4,642,019
Other local sources	2,505,330	4,453,356	4,939,019	485,663
<b>Total Revenues <sup>1</sup></b>	<b>69,429,484</b>	<b>73,249,291</b>	<b>78,611,928</b>	<b>5,362,637</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	32,732,610	32,597,507	32,284,113	313,394
Classified salaries	11,723,618	11,401,149	11,275,818	125,331
Employee benefits	12,341,137	14,310,166	14,302,753	7,413
Books and supplies	4,002,640	4,970,349	4,535,191	435,158
Services and operating expenditures	7,217,667	6,777,536	6,545,071	232,465
Other outgo	729,808	1,357,428	1,403,296	(45,868)
Capital outlay	952,080	419,906	209,128	210,778
<b>Total Expenditures <sup>1</sup></b>	<b>69,699,560</b>	<b>71,834,041</b>	<b>70,555,370</b>	<b>1,278,671</b>
<b>Excess of Revenues Over Expenditures</b>	<b>(270,076)</b>	<b>1,415,250</b>	<b>8,056,558</b>	<b>6,641,308</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	100,000	100,000
Transfers out	(214,445)	(214,445)	(227,148)	(12,703)
<b>Net Financing Sources (Uses)</b>	<b>(214,445)</b>	<b>(214,445)</b>	<b>(127,148)</b>	<b>87,297</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(484,521)</b>	<b>1,200,805</b>	<b>7,929,410</b>	<b>6,728,605</b>
<b>Fund Balances - Beginning</b>	<b>12,655,446</b>	<b>12,655,446</b>	<b>12,655,446</b>	<b>-</b>
<b>Fund Balances - Ending</b>	<b>\$ 12,170,925</b>	<b>\$ 13,856,251</b>	<b>\$ 20,584,856</b>	<b>\$ 6,728,605</b>

<sup>1</sup> On behalf payments of \$2,357,942 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 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, 2017

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final to Actual
	Original	Final	(GAAP Basis)	
<b>REVENUES</b>				
Federal sources	\$ 20,267,357	\$ 20,245,901	\$ 19,714,571	\$ (531,330)
Other State sources	41,236,313	42,666,369	45,165,224	2,498,855
Other local sources	-	-	57,044	57,044
<b>Total Revenues</b>	<u>61,503,670</u>	<u>62,912,270</u>	<u>64,936,839</u>	<u>2,024,569</u>
<b>EXPENDITURES</b>				
Current				
Other outgo	<u>61,503,670</u>	<u>62,912,270</u>	<u>64,936,839</u>	<u>(2,024,569)</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-	-
<b>Fund Balance - Beginning</b>	-	-	-	-
<b>Fund Balance - Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying note to required supplementary information.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2017

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2011	\$ -	\$ 4,941,563	\$ 4,941,563	0%	N/A	N/A
July 1, 2013	-	5,534,711	5,534,711	0%	N/A	N/A
July 1, 2015	-	6,115,467	6,115,467	0%	N/A	N/A

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, 2017

	2017	2016	2015
<b>CalSTRS</b>			
District's proportion of the net pension liability	0.0600%	0.0576%	0.0560%
District's proportionate share of the net pension liability	\$ 48,517,958	\$ 38,749,301	\$ 32,705,162
State's proportionate share of the net pension liability associated with the District	27,620,408	20,494,109	19,748,789
Total	<u>\$ 76,138,366</u>	<u>\$ 59,243,410</u>	<u>\$ 52,453,951</u>
District's covered-employee payroll	<u>\$ 30,409,003</u>	<u>\$ 26,259,617</u>	<u>\$ 25,289,611</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	159.55%	147.56%	129.32%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
<b>CalPERS</b>			
District's proportion of the net pension liability	0.0926%	0.0913%	0.0873%
District's proportionate share of the net pension liability	\$ 18,294,793	\$ 13,460,371	\$ 9,915,554
District's covered-employee payroll	<u>\$ 11,076,146</u>	<u>\$ 10,847,022</u>	<u>\$ 9,198,947</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.17%	124.09%	107.79%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

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

See accompanying note to required supplementary information.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
<b>CalSTRS</b>			
Contractually required contribution	\$ 4,011,651	\$ 3,262,886	\$ 2,331,854
Contributions in relation to the contractually required contribution	4,011,651	3,262,886	2,331,854
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 31,889,118</u>	<u>\$ 30,409,003</u>	<u>\$ 26,259,617</u>
Contributions as a percentage of covered-employee payroll	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
<b>CalPERS</b>			
Contractually required contribution	\$ 1,612,315	\$ 1,312,191	\$ 1,276,803
Contributions in relation to the contractually required contribution	1,612,315	1,312,191	1,276,803
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 11,609,411</u>	<u>\$ 11,076,146</u>	<u>\$ 10,847,022</u>
Contributions as a percentage of covered-employee payroll	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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

See accompanying note to required supplementary information.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

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### NOTE 1 - PURPOSE OF SCHEDULES

#### **Budgetary Comparison Schedules**

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

#### **Schedule of Other Postemployment Benefits (OPEB) Funding Progress**

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

#### **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 positions 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 in Assumptions*** – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

#### **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.

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***SUPPLEMENTARY INFORMATION***

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# LAWNDAL ELEMEN TARY SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Passed through California Department of Education (CDE)				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 1,542,073	\$ -
Title II, Part A, Improving Teacher Quality	84.367	14341	199,746	-
Title III, English Learner Student Program	84.365	14346	136,244	-
Special Education (IDEA) Cluster				
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	16,252,569	15,024,566
Local Assistance, Part B, Section 611, Private School ISPs	84.027	10115	112,485	109,333
Preschool Grants, Part B, Section 619	84.173	13430	1,080,952	950,145
Preschool Local Entitlement, Part B, Section 611	84.027A	13682	2,774,812	2,450,522
Preschool Staff Development, Part B, Section 619	84.173A	13431	5,183	4,631
Mental Health Allocation Plan, Part B, Section 611	84.027A	15197	1,182,052	1,175,374
Alternate Dispute Resolution, Part B, Section 611	84.173A	13007	20,249	-
Total Special Education (IDEA) Cluster			21,428,302	19,714,571
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	2,100	-
Total U.S. Department of Education			23,534,769	19,714,571
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Passed through California Department of Health Care Services				
Medicaid Cluster				
Medi-Cal Administrative Activities	93.778	10060	255,301	-
Medi-Cal Billing Option	93.778	10013	75,663	-
Total Medicaid Cluster			330,964	-
Total U.S. Department of Health and Human Services			330,964	-

See accompanying note to supplementary information.

# LAWNDAL ELEMEN TARY SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED FOR THE YEAR ENDED JUNE 30, 2017

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	\$ 2,114,775	\$ -
Meal Supplement	10.555	13396	82,888	-
Especially Needy Breakfast Program	10.553	13526	435,393	-
Summer Seamless Option	10.559	13004	113,746	-
Commodities	10.555	13396	234,839	-
Total Child Nutrition Cluster			2,981,641	-
Child Nutrition - Centers and Family Day Care	10.558	13393	241,254	-
Passed through Los Angeles County Department of Health				
SNAP Cluster				
Healthy Communities Initiative	10.561	PH-003248	179,306	
Nutrition Education Obesity Prevention	10.561	[1]	83,682	-
Total SNAP Cluster			262,988	
Total U.S. Department of Agriculture			3,485,883	-
Total Expenditures of Federal Awards			\$ 27,351,616	\$ 19,714,571

[1] Pass-Through Entity Identifying Number is not available.

See accompanying note to supplementary information.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2017

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### 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. Cathy Burris	President	2020
Mrs. Shirley Bennett	Clerk	2020
Mrs. Shirley Rudolph	Trustee	2018
Ms. Bonnie J. Coronado	Trustee	2018
Mrs. Ann Phillips	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
Mr. Steven Miller	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, 2017

	Final Report	
	Revised Second Period Report*	Revised Annual Report*
Regular ADA		
Transitional kindergarten through third	2,259.28	2,258.56
Fourth through sixth	1,787.23	1,781.30
Seventh and eighth	1,241.05	1,242.72
Total Regular ADA	5,287.56	5,282.58
Extended Year Special Education		
Transitional kindergarten through third	5.80	5.80
Fourth through sixth	3.82	3.82
Seventh and eighth	1.47	1.47
Total Extended Year Special Education	11.09	11.09
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	2.30	2.13
Fourth through sixth	3.31	3.32
Seventh and eighth	2.89	2.78
Total Special Education, Nonpublic, Nonsectarian Schools	8.50	8.23
Total ADA	5,307.15	5,301.90

\* The Second Period Report and the Annual Report were revised on September 1, 2017.

See accompanying note to supplementary information.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2017

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Grade Level	1986-87	2016-17	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		59,560	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		59,560	180	N/A	Complied
Grade 8		59,560	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, 2017**

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There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2017.

See accompanying note to supplementary information.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

	(Budget) 2018 <sup>1</sup>	2017	2016	2015
GENERAL FUND <sup>4</sup>				
Revenues	\$ 69,695,508	\$ 78,580,075	\$ 68,602,240	\$ 57,347,995
Other sources and transfers in	343,486	331,936	243,486	-
Total Revenues and Other Sources	70,038,994	78,912,011	68,845,726	57,347,995
Expenditures	70,107,658	70,555,370	63,648,169	56,324,673
Other uses and transfers out	214,445	592,828	2,823,361	944,658
Total Expenditures and Other Uses	70,322,103	71,148,198	66,471,530	57,269,331
INCREASE (DECREASE) IN FUND BALANCE	\$ (283,109)	\$ 7,763,813	\$ 2,374,196	\$ 78,664
ENDING FUND BALANCE	\$ 17,241,192	\$ 17,524,301	\$ 9,760,488	\$ 7,386,292
AVAILABLE RESERVES <sup>2</sup>	\$ 10,635,398	\$ 10,918,507	\$ 7,146,849	\$ 5,889,247
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>3</sup>	15.12%	15.35%	10.75%	10.53%
LONG-TERM OBLIGATIONS	N/A	\$ 32,407,962	\$ 22,275,959	\$ 22,628,321
K-12 AVERAGE DAILY ATTENDANCE AT P-2	5,302	5,307	5,477	5,565

The General Fund balance has increased by \$10,138,009 over the past two years. The fiscal year 2017-2018 budget projects a decrease of \$283,109 (1.6 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, but anticipates incurring an operating deficit during the 2017-2018 fiscal year. Total long-term obligations have increased by \$9,779,641 over the past two years.

Average daily attendance has decreased by 258 over the past two years. An additional decline of five ADA is anticipated during fiscal year 2017-2018.

<sup>1</sup> Budget 2018 is included for analytical purposes only and has not been subjected to audit.

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

<sup>3</sup> On behalf payment of \$1,357,043 has been excluded from the calculation of available reserves for the fiscal year ending June 30, 2015.

<sup>4</sup> 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.

See accompanying note to supplementary information.

**LAWNDALE ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2017**

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<u>Name of Charter School</u>	<u>Included in Audit Report</u>
Environmental Charter School (0353)	No

See accompanying note to supplementary information.



# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS

### COMBINING BALANCE SHEET

JUNE 30, 2017

	Cafeteria Fund	Child Development Fund	Capital Facilities Fund	State School Building Fund
<b>ASSETS</b>				
Deposits and investments	\$ 502,600	\$ 148,969	\$ 44,399	\$ 28,734
Receivables	642,191	299,575	644	146
Stores inventories	26,016	-	-	-
<b>Total Assets</b>	<u>\$ 1,170,807</u>	<u>\$ 448,544</u>	<u>\$ 45,043</u>	<u>\$ 28,880</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	<u>\$ 185,468</u>	<u>\$ 296,717</u>	<u>\$ 19,365</u>	<u>\$ 716</u>
<b>Fund Balances:</b>				
Nonspendable	26,685	-	-	-
Restricted	958,654	151,827	25,678	28,164
Assigned	-	-	-	-
<b>Total Fund Balances</b>	<u>985,339</u>	<u>151,827</u>	<u>25,678</u>	<u>28,164</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,170,807</u>	<u>\$ 448,544</u>	<u>\$ 45,043</u>	<u>\$ 28,880</u>

See accompanying note to supplementary information.

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<b>County School Facilities Fund</b>	<b>Special Reserve Fund for Capital Outlay Projects</b>	<b>Bond Interest and Redemption Fund</b>	<b>Tax Override Fund</b>	<b>Debt Service Fund</b>	<b>Non-Major Governmental Funds</b>
\$ 35,644	\$ 3,230,686	\$ 1,331,903	\$ 9	\$ 19,655	\$ 5,342,599
182	15,867	-	-	100	958,705
-	-	-	-	-	26,016
<u>\$ 35,826</u>	<u>\$ 3,246,553</u>	<u>\$ 1,331,903</u>	<u>\$ 9</u>	<u>\$ 19,755</u>	<u>\$ 6,327,320</u>
\$ -	\$ 103,834	\$ -	\$ -	\$ -	\$ 606,100
-	-	-	-	-	26,685
35,826	-	1,331,903	9	19,755	2,551,816
-	3,142,719	-	-	-	3,142,719
<u>35,826</u>	<u>3,142,719</u>	<u>1,331,903</u>	<u>9</u>	<u>19,755</u>	<u>5,721,220</u>
<u>\$ 35,826</u>	<u>\$ 3,246,553</u>	<u>\$ 1,331,903</u>	<u>\$ 9</u>	<u>\$ 19,755</u>	<u>\$ 6,327,320</u>

# LAWNDAL E ELEMENTARY SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2017

	Cafeteria Fund	Child Development Fund	Capital Facilities Fund	State School Building Fund
<b>REVENUES</b>				
Federal sources	\$ 3,266,957	\$ -	\$ -	\$ -
Other State sources	203,098	2,233,207	-	-
Other local sources	251,708	4,539	12,921	157
<b>Total Revenues</b>	<b>3,721,763</b>	<b>2,237,746</b>	<b>12,921</b>	<b>157</b>
<b>EXPENDITURES</b>				
Current				
Instruction	-	1,799,052	-	-
Instruction-related activities:				
Supervision of instruction	-	228,230	-	-
School site administration	-	74,239	-	-
Pupil services:				
Food services	3,387,123	19,992	-	-
General administration:				
All other general administration	134,000	109,507	-	-
Plant services	-	2,187	-	-
Facility acquisition and construction	1,971	-	146,457	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
<b>Total Expenditures</b>	<b>3,523,094</b>	<b>2,233,207</b>	<b>146,457</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>198,669</b>	<b>4,539</b>	<b>(133,536)</b>	<b>157</b>
<b>Other Financing Sources</b>				
Transfers in	12,703	-	-	-
Other sources - proceeds from refunding bonds	-	-	-	-
Transfers out	(100,000)	-	-	-
Other uses - payment to bond escrow account	-	-	-	-
<b>Net Financing Sources (Uses)</b>	<b>(87,297)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>111,372</b>	<b>4,539</b>	<b>(133,536)</b>	<b>157</b>
<b>Fund Balances - Beginning</b>	<b>873,967</b>	<b>147,288</b>	<b>159,214</b>	<b>28,007</b>
<b>Fund Balances - Ending</b>	<b>\$ 985,339</b>	<b>\$ 151,827</b>	<b>\$ 25,678</b>	<b>\$ 28,164</b>

See accompanying note to supplementary information.

<b>County School Facilities Fund</b>	<b>Special Reserve Fund for Capital Outlay Projects</b>	<b>Bond Interest and Redemption Fund</b>	<b>Tax Override Fund</b>	<b>Debt Service Fund</b>	<b>Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,266,957
-	-	12,231	-	-	2,448,536
390	36,928	1,474,507	-	215	1,781,365
390	36,928	1,486,738	-	215	7,496,858
-	-	-	-	-	1,799,052
-	-	-	-	-	228,230
-	-	-	-	-	74,239
-	-	-	-	-	3,407,115
-	-	-	-	-	243,507
-	105,317	-	-	-	107,504
-	1,022,849	-	-	-	1,171,277
-	-	725,000	-	-	725,000
-	-	898,517	-	-	898,517
-	1,128,166	1,623,517	-	-	8,654,441
390	(1,091,238)	(136,779)	-	215	(1,157,583)
-	214,445	-	-	-	227,148
-	-	5,321,319	-	-	5,321,319
-	-	-	-	-	(100,000)
-	-	(5,017,375)	-	-	(5,017,375)
-	214,445	303,944	-	-	431,092
390	(876,793)	167,165	-	215	(726,491)
35,436	4,019,512	1,164,738	9	19,540	6,447,711
\$ 35,826	\$ 3,142,719	\$ 1,331,903	\$ 9	\$ 19,755	\$ 5,721,220

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

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### NOTE 1 - PURPOSE OF SCHEDULES

#### Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 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 funds that in a previous period were recorded as revenues but unspent. These unspent balances have been expended in the current period. In addition, Medi-Cal Billing Option and 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, 2017.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 27,471,060
Medi-Cal Administrative Activities	93.778	104,926
Medi-Cal Billing Option	93.778	(180,308)
Child and Adult Care Food Program	10.558	(44,062)
Total Schedule of Expenditures of Federal Awards		<u>\$ 27,351,616</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, 2017**

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### **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.

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***INDEPENDENT AUDITOR'S REPORTS***

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

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

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, 2017, 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 15, 2017.

**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.

*Vaughn, Tuma, Day & Co, LLP*

Rancho Cucamonga, California  
December 15, 2017



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

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND 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, 2017. 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 requirements of 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, 2017.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-001. Our opinion on each major Federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-001, that we consider to be significant deficiencies.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Vannest, Tuma, Day & Co, LLP

Rancho Cucamonga, California  
December 15, 2017



**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 *2016-2017 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, 2017.

### ***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 *2016-2017 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, 2017.

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
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
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
Mental Health Expenditures	Yes
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After 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
Immunizations	Yes
<b>CHARTER SCHOOLS</b>	
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 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.

*Varunesh, Tane, Day & Co, LLP*

Rancho Cucamonga, California  
December 15, 2017

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

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# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2017

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### FINANCIAL STATEMENTS

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

### FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>Yes</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>Yes</u>
Identification of major Federal programs:	

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

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 820,548</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, 2017**

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None reported.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

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The following findings represent significant deficiencies of noncompliance including questioned costs that are required to be reported by the Uniform Guidance. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
50000	Federal Compliance

**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**

## **FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017**

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### **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.

### **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.

### **Corrective Action Plan**

The District recognizes that an error was made in October 2016 that led to noncompliance with 2 CFR Section 200.423 of the Allowable Cost Principles.

The District will take the following steps as part of the Corrective Action Plan:

- The policies and procedures related to allowable costs for reimbursements will be re-distributed to staff members as an opportunity to reinforce existing rules.
- Staff members who review and/or approve reimbursements will research all items on receipts to accurately determine whether or not they are allowable.

**LAWNDALE ELEMENTARY SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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None reported.

## **LAWNDALE ELEMENTARY SCHOOL DISTRICT**

### **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017**

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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***

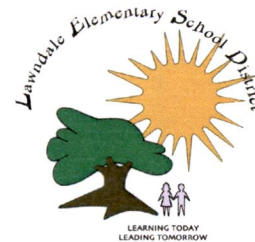
None reported.

#### ***State Awards Findings***

None reported.

# LAWNDALE ELEMENTARY SCHOOL DISTRICT

4161 West 147<sup>th</sup> Street • Lawndale, CA 90260 • (310) 973-1300 FAX (310) 263-6492



December 15, 2017

## MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN IN ACCORDANCE WITH 2 CFR 200, UNIFORM GUIDANCE, FOR THE YEAR ENDED JUNE 30, 2017

### 2017-001 Code 50000

#### ED Cross-Cutting Section, Allowable Costs/Cost Principles

The District recognizes that an error was made in October 2016 that led to noncompliance with 2 CFR Section 200.423 of the Allowable Cost Principles.

The District will take the following steps as part of the Corrective Action Plan:

- The policies and procedures related to allowable costs for reimbursements will be re-distributed to staff members as an opportunity to reinforce existing rules.
- Staff members who review and/or approve reimbursements will research all items on receipts to accurately determine whether or not they are allowable.

Expected Implementation Date: November 2017

Dr. Gretchen Janson  
Assistant Superintendent, Business Services  
Lawndale Elementary School District