



Lawndale Elementary School District

Annual Financial Report

June 30, 2015

LAWNSDALE ELEMENTARY SCHOOL DISTRICT

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LAWNDALE ELEMENTARY SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board
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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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 Lawndale Elementary School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 1 and 15 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 14 and budgetary comparison, other postemployment benefits (OPEB) funding progress, District's proportionate share of the net pension liability, and District contributions information on pages 65 through 69, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lawndale Elementary School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2015, on our consideration of the Lawndale Elementary School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lawndale Elementary School District's internal control over financial reporting and compliance.

Vavinek, Tine, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2015

LAWDALE ELEMENTARY SCHOOL DISTRICT

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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, 2015, with comparative information from the fiscal year ending June 30, 2014. 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 agency funds, which only report a balance sheet and do not have a measurement focus.

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, 2015

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, 2015

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.

LAWDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

FINANCIAL HIGHLIGHTS

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$(10.4) million for governmental activities for the fiscal year ended June 30, 2015. Of this amount, \$(43.4) 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	
	2015	2014 as restated	2015	2014	2015	2014 as restated
Assets						
Current and other assets	\$ 22,012.1	\$ 23,844.2	\$ 473.8	\$ 465.6	\$ 22,485.9	\$ 24,309.8
Capital assets	47,590.9	50,239.8	-	-	47,590.9	50,239.8
Total Assets	69,603.0	74,084.0	473.8	465.6	70,076.8	74,549.6
Deferred Outflows of Resources						
	3,608.7	3,105.7	-	-	3,608.7	3,105.7
Liabilities						
Current liabilities	6,518.1	7,458.8	11.6	17.7	6,529.7	7,476.5
Long-term obligations	22,628.3	22,963.0	-	-	22,628.3	22,963.0
Aggregate net pension liability	42,620.7	54,061.9			42,620.7	54,061.9
Total Liabilities	71,767.1	84,483.7	11.6	17.7	71,778.7	84,501.4
Deferred Inflows of Resources						
	11,869.9	-	-	-	11,869.9	-
Net Position						
Net investment in capital assets	28,892.5	31,319.2	-	-	28,892.5	31,319.2
Restricted	4,082.8	5,655.3	-	-	4,082.8	5,655.3
Unrestricted	(43,400.6)	(44,268.5)	462.2	447.9	(42,938.4)	(43,820.6)
Total Net Position	\$ (10,425.3)	\$ (7,294.0)	\$ 462.2	\$ 447.9	\$ (9,963.1)	\$ (6,846.1)

LAWDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 334.6	\$ 407.6	\$ -	\$ -	\$ 334.6	\$ 407.6
Operating grants and contributions	13,952.3	14,909.5	-	-	13,952.3	14,909.5
General revenues:						
State revenue limit sources not restricted	39,712.5	33,178.1	-	-	39,712.5	33,178.1
Property taxes	7,826.1	7,337.6	-	-	7,826.1	7,337.6
Other general revenues	4,300.7	2,894.1	94.9	140.8	4,395.6	3,034.9
Total Revenues	66,126.2	58,726.9	94.9	140.8	66,221.1	58,867.7
Expenses						
Instruction-related	49,866.7	46,631.3	-	-	49,866.7	46,631.3
Pupil services	7,584.0	6,483.6	-	-	7,584.0	6,483.6
Administration	4,416.4	3,791.1	-	-	4,416.4	3,791.1
Plant	4,559.6	4,553.6	-	-	4,559.6	4,553.6
Other	2,830.9	2,453.8	80.6	125.4	2,911.5	2,579.2
Total Expenses	69,257.6	63,913.4	80.6	125.4	69,338.2	64,038.8
Transfers	-	7.8	-	(7.8)	-	-
Change in Net Position	\$ (3,131.4)	\$ (5,178.7)	\$ 14.3	\$ 7.6	\$ (3,117.1)	\$ (5,171.1)

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was \$69.3 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$7.8 million because the cost was paid by those who benefited from the programs (\$14.0 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$0.3 million). We paid for the remaining "public benefit" portion of our governmental activities from the \$39.7 million we received in State funds, and from \$4.3 million of other revenues, like interest and general entitlements.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

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

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	
	2015	2014	2015	2014
Instruction	\$ 44,081.3	\$ 41,736.9	\$ (35,714.5)	\$ (32,249.7)
Instruction-related activities	5,785.4	4,894.4	(4,197.6)	(3,662.1)
Pupil services	7,584.0	6,483.6	(4,301.2)	(2,954.4)
Administration	4,416.4	3,791.1	(3,925.1)	(3,392.8)
Plant	4,559.6	4,553.6	(4,340.5)	(4,297.5)
Other	2,830.9	2,453.8	(2,491.8)	(2,039.8)
Total	\$ 69,257.6	\$ 63,913.4	\$ (54,970.7)	\$ (48,596.3)

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

THE DISTRICT'S FUNDS

As the District completed the year, our governmental funds reported a combined fund balance of \$15.7 million, which is a decrease of \$0.9 million from last year (Table 4). This \$0.9 million decrease is the net difference in the following fund or program balances from the prior year.

Table 4

(Amounts in thousands)

	Fund Balance	
	June 30, 2015	June 30, 2014
General Fund	\$ 10,207.7	\$ 10,034.5
Building Fund	896.9	1,416.7
Cafeteria Fund	1,793.3	2,561.4
Child Development Fund	49.5	72.5
Capital Facilities Fund	266.8	379.6
State School Building Fund	2.8	2.7
County School Facilities Fund	35.2	34.9
Special Reserve Fund for Capital Outlay Projects	1,294.7	904.3
Bond Interest and Redemption Fund	1,153.0	1,192.0
Debt Service Fund	19.4	19.3
Total	\$ 15,719.3	\$ 16,617.9

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, 2014, and the second Interim Budget report was prepared based upon the actual information through January 31, 2015. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 65.)

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had \$47.6 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 \$2.6 million, or 5.3 percent, from last year (Table 5).

Table 5

(Amounts in thousands)

	Governmental Activities	
	2015	2014
Land and construction in progress	\$ 2,969.3	\$ 1,576.2
Buildings and improvements	43,469.6	47,418.9
Equipment	1,152.0	1,244.7
Total	\$ 47,590.9	\$ 50,239.8

We present more detailed information about our capital assets in Note 4 to the financial statements.

Long-Term Obligations

At the end of this year, the District had \$19.6 million in general obligation bonds outstanding versus \$20.3 million last year, a decrease of four percent. The long-term obligations consisted of:

Table 6

(Amounts in thousands)

	Governmental Activities	
	2015	2014
General obligation bonds - net (financed with property taxes)	\$ 19,595.3	\$ 20,337.3
Compensated absences	486.0	464.7
Net OPEB obligation	2,547.0	2,161.0
Total	\$ 22,628.3	\$ 22,963.0

The District's general obligation bond rating continues to be "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 \$19.6 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 8 of the financial statements.

LAWDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

Net Pension Liability (NPL)

At year-end, the District had a net pension liability of \$42.6 million, as a result of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The District has therefore recorded its proportionate share of net pension liabilities for CalSTRS and CalPERS.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2014-2015 ARE NOTED BELOW:

The District is completing its significant facilities improvement master plan of over \$75 million for all of its schools which began in 1998. In the 2014-2015 fiscal year, the District scheduled and bid comprehensive kitchen upgrades and food service equipment for two of five kitchens (FDR and Mitchell School Sites) committing \$1,007,276, in fiscal year 2014-2015. Three more kitchens (Anderson, Green, and Twain) are committed for upgrades, including new equipment, in fiscal year 2015-2016, with a budget of \$1.1 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2014-2015 year, the Governing Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Implementation of a new State funding formula for public school districts called the Local Control Funding Formula. As a result of the passage of PROP 30, and an improving State economy, this formula is providing the first increase in funding for the District in five years. The District also 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 slightly from the prior year.
3. Interest earnings remain low to reflect continuing State deferrals of State funding to educational agencies.
4. Developer fee collections were based upon actual receipts which are sensitive to the housing and construction industry.
5. MAA reimbursements were adjusted to reflect a delay due to a continuing disagreement on time reporting methodology between the State and Federal agencies. MAA reimbursements are budgeted only upon receipt.
6. Transfers to the early retiree fund of \$294,765 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:

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Grades Pre-K and K through third	24:1	2,540
Grades four and five	30:1	1,298
Grades six, seven and eight	30:1	1,807
Special Education (Ungraded)	14:1	127

LAWNDALE ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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 Associate Superintendent, Business Services, at Lawndale School District, Lawndale, California 90260, or e-mail at john_vinke@lawndalesd.net.

LAWNSDALE ELEMENTARY SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	\$ 18,789,157	\$ 472,473	\$ 19,261,630
Receivables	3,156,501	1,366	3,157,867
Stores inventories	66,464	-	66,464
Capital assets:			
Land and construction in progress	2,969,271	-	2,969,271
Other capital assets	89,445,984	-	89,445,984
Less: Accumulated depreciation	(44,824,354)	-	(44,824,354)
Total Capital Assets	<u>47,590,901</u>	<u>-</u>	<u>47,590,901</u>
Total Assets	<u>69,603,023</u>	<u>473,839</u>	<u>70,076,862</u>
DEFERRED OUTFLOWS OF RESOURCES			
Current year pension contribution	<u>3,608,657</u>	<u>-</u>	<u>3,608,657</u>
LIABILITIES			
Accounts payable	6,190,153	11,617	6,201,770
Accrued interest payable	225,193	-	225,193
Unearned revenue	102,688	-	102,688
Long-term obligations:			
Current portion of long-term obligations other than pensions	700,000	-	700,000
Noncurrent portion of long-term obligations other than pensions	<u>21,928,321</u>	<u>-</u>	<u>21,928,321</u>
Total Long-Term Obligations	<u>22,628,321</u>	<u>-</u>	<u>22,628,321</u>
Aggregate net pension liability	<u>42,620,716</u>	<u>-</u>	<u>42,620,716</u>
Total Liabilities	<u>71,767,071</u>	<u>11,617</u>	<u>71,778,688</u>
DEFERRED INFLOWS OF RESOURCES			
Net change in proportionate share of net pension liability	409,261	-	409,261
Difference between projected and actual earnings on pension plan investments	<u>11,460,680</u>	<u>-</u>	<u>11,460,680</u>
Total Deferred Inflows of Resources	<u>11,869,941</u>	<u>-</u>	<u>11,869,941</u>
NET POSITION			
Net investment in capital assets	28,892,504	-	28,892,504
Restricted for:			
Debt service	947,244	-	947,244
Capital projects	304,721	-	304,721
Educational programs	1,004,777	-	1,004,777
Other activities	1,826,045	-	1,826,045
Unrestricted	<u>(43,400,623)</u>	<u>462,222</u>	<u>(42,938,401)</u>
Total Net Position	<u>\$ (10,425,332)</u>	<u>\$ 462,222</u>	<u>\$ (9,963,110)</u>

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
Governmental Activities:			
Instruction	\$ 44,081,334	\$ 138,798	\$ 8,227,998
Instruction-related activities:			
Supervision of instruction	2,037,880	7,665	1,499,152
Instructional library, media, and technology	465,102	-	-
School site administration	3,282,403	-	81,004
Pupil services:			
Home-to-school transportation	889,041	-	112,002
Food services	3,863,539	126,154	2,291,434
All other pupil services	2,831,373	15,521	737,624
General administration:			
Data processing	666,189	-	-
All other general administration	3,750,199	8,024	483,223
Plant services	4,559,585	11,992	207,065
Community services	54,654	-	8,238
Enterprise services	1,246	-	-
Interest on long-term obligations	729,697	-	-
Other outgo	2,045,348	26,481	304,509
Total Governmental Activities	69,257,590	334,635	13,952,249
Business-Type Activities			
Enterprise services	80,587	-	-
Total School District	\$ 69,338,177	\$ 334,635	\$ 13,952,249

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

Subtotal, General Revenues

Change in Net Position

- Net Position - Beginning, as restated
- Net Position - Ending

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

**Net (Expenses) Revenues and
Changes in Net Position**

Governmental Activities	Business- Type Activities	Total
\$ (35,714,538)	\$ -	\$ (35,714,538)
(531,063)	-	(531,063)
(465,102)	-	(465,102)
(3,201,399)	-	(3,201,399)
(777,039)	-	(777,039)
(1,445,951)	-	(1,445,951)
(2,078,228)	-	(2,078,228)
(666,189)	-	(666,189)
(3,258,952)	-	(3,258,952)
(4,340,528)	-	(4,340,528)
(46,416)	-	(46,416)
(1,246)	-	(1,246)
(729,697)	-	(729,697)
(1,714,358)	-	(1,714,358)
<u>(54,970,706)</u>	<u>-</u>	<u>(54,970,706)</u>
-	(80,587)	(80,587)
<u>(54,970,706)</u>	<u>(80,587)</u>	<u>(55,051,293)</u>
4,955,408	-	4,955,408
1,426,275	-	1,426,275
1,444,447	-	1,444,447
39,712,518	-	39,712,518
76,318	2,920	79,238
4,224,389	91,977	4,316,366
<u>51,839,355</u>	<u>94,897</u>	<u>51,934,252</u>
(3,131,351)	14,310	(3,117,041)
(7,293,981)	447,912	(6,846,069)
<u>\$ (10,425,332)</u>	<u>\$ 462,222</u>	<u>\$ (9,963,110)</u>

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015**

	General Fund	Building Fund	Cafeteria Fund
ASSETS			
Deposits and investments	\$ 13,286,222	\$ 1,183,220	\$ 1,492,162
Receivables	1,944,274	4,489	889,978
Stores inventories	50,352	-	16,112
Total Assets	\$ 15,280,848	\$ 1,187,709	\$ 2,398,252
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 4,970,432	\$ 290,798	\$ 604,948
Unearned revenue	102,688	-	-
Total Liabilities	5,073,120	290,798	604,948
Fund Balances:			
Nonspendable	65,352	-	16,781
Restricted	1,004,777	896,911	1,776,523
Assigned	3,248,352	-	-
Unassigned	5,889,247	-	-
Total Fund Balances	10,207,728	896,911	1,793,304
Total Liabilities and Fund Balances	\$ 15,280,848	\$ 1,187,709	\$ 2,398,252

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 2,827,553	\$ 18,789,157
317,760	3,156,501
-	66,464
<u>\$ 3,145,313</u>	<u>\$ 22,012,122</u>
\$ 323,975	\$ 6,190,153
-	102,688
<u>323,975</u>	<u>6,292,841</u>
-	82,133
1,526,680	5,204,891
1,294,658	4,543,010
-	5,889,247
<u>2,821,338</u>	<u>15,719,281</u>
<u>\$ 3,145,313</u>	<u>\$ 22,012,122</u>

LAWNDALE ELEMENTARY SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds	\$ 15,719,281
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is:	\$ 92,415,255
Accumulated depreciation is:	<u>(44,824,354)</u>
Total Net Capital Assets	47,590,901
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.	3,608,657
The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected remaining service life of members receiving pension benefits.	(409,261)
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.	(11,460,680)
Net pension liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	(42,620,716)
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.	(225,193)
Long-term obligations at year-end consist of:	
General obligation bonds	19,595,308
Compensated absences	486,054
Other postemployment benefits obligation, net	<u>2,546,959</u>
Total Long-Term Obligations	(22,628,321)
Total Net Position - Governmental Activities	<u><u>\$ (10,425,332)</u></u>

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

LAWDALE ELEMENTARY SCHOOL DISTRICT

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

	General Fund	Building Fund	Cafeteria Fund
REVENUES			
Local Control Funding Formula	\$ 43,355,793	\$ -	\$ -
Federal sources	3,825,105	-	3,141,051
Other State sources	7,847,704	-	231,894
Other local sources	2,337,852	10,546	226,228
Total Revenues	57,366,454	10,546	3,599,173
EXPENDITURES			
Current:			
Instruction	38,494,061	-	-
Instruction-related activities:			
Supervision of instruction	1,766,507	-	-
Instructional library, media, and technology	457,179	-	-
School site administration	3,107,020	-	-
Pupil services:			
Home-to-school transportation	806,099	-	-
Food services	27,532	-	3,581,225
All other pupil services	2,659,414	-	-
General administration:			
Data processing	636,082	-	-
All other general administration	2,999,975	-	208,591
Plant services	4,139,399	6,798	300,391
Facility acquisition and construction	-	523,512	1,007,277
Community services	54,654	-	-
Other outgo	1,100,690	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	56,248,612	530,310	5,097,484
Excess (Deficiency) of Revenues Over Expenditures	1,117,842	(519,764)	(1,498,311)
Other Financing Sources (Uses)			
Transfers in	-	-	730,213
Transfers out	(944,658)	-	-
Net Financing Sources (Uses)	(944,658)	-	730,213
NET CHANGE IN FUND BALANCES	173,184	(519,764)	(768,098)
Fund Balances - Beginning	10,034,544	1,416,675	2,561,402
Fund Balances - Ending	\$ 10,207,728	\$ 896,911	\$ 1,793,304

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

Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 43,355,793
127,463	7,093,619
2,097,918	10,177,516
1,632,112	4,206,738
<u>3,857,493</u>	<u>64,833,666</u>
1,780,754	40,274,815
240,826	2,007,333
-	457,179
77,396	3,184,416
-	806,099
21,716	3,630,473
18	2,659,432
-	636,082
122,379	3,330,945
18,635	4,465,223
115,235	1,646,024
-	54,654
-	1,100,690
685,000	685,000
793,913	793,913
<u>3,855,872</u>	<u>65,732,278</u>
<u>1,621</u>	<u>(898,612)</u>
214,445	944,658
-	(944,658)
<u>214,445</u>	<u>-</u>
216,066	(898,612)
2,605,272	16,617,893
<u>\$ 2,821,338</u>	<u>\$ 15,719,281</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, 2015

Total Net Change in Fund Balances - Governmental Funds **\$ (898,612)**
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	\$ (4,299,188)	
Capital outlays	<u>1,650,254</u>	(2,648,934)

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 \$21,312. (21,312)

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.

74,232

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

Premium on issuance		56,966
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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.

685,000

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.

(385,941)

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.

7,250

Change in Net Position of Governmental Activities		<u><u>\$ (3,131,351)</u></u>
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LAWNDALE ELEMENTARY SCHOOL DISTRICT

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

	Business-Type Activities Enterprise Fund
	Child Care Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 472,473
Receivables	1,366
Total Current Assets	<u>473,839</u>
LIABILITIES	
Current Liabilities	
Accounts payable	<u>11,617</u>
NET POSITION	
Unrestricted	<u>\$ 462,222</u>

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

	Business-Type Activities Enterprise Fund
	Child Care Fund
OPERATING REVENUES	
Local and intermediate sources	\$ 91,977
OPERATING EXPENSES	
Payroll costs	73,598
Supplies and materials	93
Other operating cost	6,896
Total Operating Expenses	80,587
Operating Income	11,390
NONOPERATING REVENUES	
Interest income	2,920
Change in Net Position	14,310
Total Net Position - Beginning	447,912
Total Net Position - Ending	\$ 462,222

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015**

	Business-Type Activities Enterprise Fund <u>Child Care Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from user charges	\$ 96,049
Cash payments for other operating expenses	(86,686)
Net Cash Provided by Operating Activities	<u>9,363</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>2,920</u>
 Net Change in Cash and Cash Equivalents	 12,283
Cash and Cash Equivalents - Beginning	460,190
Cash and Cash Equivalents - Ending	<u>\$ 472,473</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 11,390
Changes in assets and liabilities:	
Receivables	4,072
Accounts payable	(6,099)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 9,363</u>

LAWNDALE ELEMENTARY SCHOOL DISTRICT

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

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 29,651
	<u>29,651</u>
LIABILITIES	
Due to student groups	\$ 29,651
	<u>29,651</u>

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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, 2014.

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, 2015

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. 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 \$2,821,436, and \$2,821,436 respectively, and an increase in revenues of \$18,459.

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.

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).

Non-Major Governmental Funds

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

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).

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).

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 Fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds 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.

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).

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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.

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.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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.

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.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Investments

Investments held at June 30, 2015, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. 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-type 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.

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.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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.

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 current year pension contributions.

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

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (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.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Fund Balances - Governmental Funds

As of June 30, 2015, fund balances of the governmental funds are classified as follows:

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

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.

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$4,082,787 of restricted net position.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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.

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.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 \$1,363,632 in parcel tax receipts.

Change in Accounting Principles

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of State and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

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

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes, but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled, and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a nonemployer entity has a legal requirement to make contributions directly to a pension plan.

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

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a State or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a State or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a State or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a State or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

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

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by \$50,956,232. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

New Accounting Pronouncements

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

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

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

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

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

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

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

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

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

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

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

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

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

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

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

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of State and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

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

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

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

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

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

LAWDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	\$ 18,789,157
Business-type activities	472,473
Fiduciary funds	29,651
Total Deposits and Investments	<u>\$ 19,291,281</u>

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

Cash on hand and in banks	\$ 61,887
Cash in revolving	15,669
Investments	19,213,725
Total Deposits and Investments	<u>\$ 19,291,281</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. The District's investment policies do not address risk criteria included in GASB Statement No. 40.

Investment in County Treasury

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

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Los Angeles County Investment Pool.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Weighted Average Maturity

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity In Days</u>
Los Angeles County Investment Pool	<u>\$ 19,193,689</u>	<u>595</u>

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.

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, 2015, 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, 2015**

NOTE 3 - RECEIVABLES

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

	General Fund	Building Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Activities	Enterprise Fund
Federal Government						
Categorical aid	\$ 847,482	\$ -	\$ 822,191	\$ 29,711	\$ 1,699,384	\$ -
State Government						
Categorical aid	437,403	-	60,765	282,611	780,779	-
Lottery	500,113	-	-	-	500,113	-
Local Receivables						
Interest	17,920	1,003	797	2,820	22,540	1,366
Other	141,356	3,486	6,225	2,618	153,685	-
Total	<u>\$ 1,944,274</u>	<u>\$ 4,489</u>	<u>\$ 889,978</u>	<u>\$ 317,760</u>	<u>\$ 3,156,501</u>	<u>\$ 1,366</u>

LAWDALE ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 1,370,117	\$ -	\$ -	\$ 1,370,117
Construction in progress	206,054	1,393,100	-	1,599,154
Total Capital Assets Not Being Depreciated	<u>1,576,171</u>	<u>1,393,100</u>	<u>-</u>	<u>2,969,271</u>
Capital Assets Being Depreciated:				
Land improvements	763,149	-	-	763,149
Buildings and improvements	83,684,502	121,289	-	83,805,791
Furniture and equipment	4,741,179	135,865	-	4,877,044
Total Capital Assets Being Depreciated	<u>89,188,830</u>	<u>257,154</u>	<u>-</u>	<u>89,445,984</u>
Total Capital Assets	<u>90,765,001</u>	<u>1,650,254</u>	<u>-</u>	<u>92,415,255</u>
Less Accumulated Depreciation:				
Land improvements	567,814	10,733	-	578,547
Buildings and improvements	36,460,904	4,059,847	-	40,520,751
Furniture and equipment	3,496,448	228,608	-	3,725,056
Total Accumulated Depreciation Governmental Activities Capital Assets, Net	<u>40,525,166</u>	<u>4,299,188</u>	<u>-</u>	<u>44,824,354</u>
	<u>\$ 50,239,835</u>	<u>\$ (2,648,934)</u>	<u>\$ -</u>	<u>\$ 47,590,901</u>

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

Governmental Activities	
Instruction	\$ 3,534,603
Home-to-school transportation	82,630
Food services	206,575
All other pupil services	82,630
All other general administration	368,224
Plant services	24,526
Total Depreciation Expenses Governmental Activities	<u>\$ 4,299,188</u>

LAWDALE ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 - INTERFUND TRANSACTIONS

Operating Transfers

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

<u>Transfer To</u>	<u>Transfer From</u>
	<u>General Fund</u>
Cafeteria Fund	\$ 730,213
Non-Major Governmental Funds	214,445
	<u>\$ 944,658</u>
The General Fund transferred to the Cafeteria Fund for reimbursement of expenditures.	\$ 730,213
The General Fund transferred to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects for capital expenditures.	214,445
Total	<u>\$ 944,658</u>

NOTE 6 - ACCOUNTS PAYABLE

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

	<u>General Fund</u>	<u>Building Fund</u>	<u>Cafeteria Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Activities</u>	<u>Enterprise Fund</u>
Salaries and benefits	\$ 3,508,166	\$ 203	\$ 129,565	\$ 266,719	\$ 3,904,653	\$ 11,132
LCFF principal apportionment	89,780	-	-	-	89,780	-
Construction	-	290,595	360,240	-	650,835	-
Vendor payables	1,372,486	-	115,143	57,256	1,544,885	485
Total	<u>\$ 4,970,432</u>	<u>\$ 290,798</u>	<u>\$ 604,948</u>	<u>\$ 323,975</u>	<u>\$ 6,190,153</u>	<u>\$ 11,617</u>

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 - UNEARNED REVENUE

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

	General Fund
Federal financial assistance	\$ 30,480
State categorical aid	7,153
Other local	65,055
Total	<u>\$ 102,688</u>

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
General obligation bonds	\$ 19,535,000	\$ -	\$ 685,000	\$ 18,850,000	\$ 700,000
Premium on debt	802,274	-	56,966	745,308	-
Compensated absences	464,742	21,312	-	486,054	-
Net OPEB obligation	2,161,018	604,644	218,703	2,546,959	-
	<u>\$ 22,963,034</u>	<u>\$ 625,956</u>	<u>\$ 960,669</u>	<u>\$ 22,628,321</u>	<u>\$ 700,000</u>

Payments on the general obligation bonds are paid from the Bond Interest and Redemption Fund with local revenues. The accrued vacation 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 and mature through the fiscal year 2033. 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, 2015, the principal balance outstanding was \$4,895,000.

LAWDALE ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015, 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, 2015, the principal balance outstanding was \$10,955,000.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding			Bonds Outstanding		Due in One Year
					July 1, 2014	Issued	Redeemed	June 30, 2015		
1998, Series B	11/6/2002	8/1/2032	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	11,640,000	-	685,000	10,955,000	700,000	
					<u>\$ 19,535,000</u>	<u>\$ -</u>	<u>\$ 685,000</u>	<u>\$ 18,850,000</u>	<u>\$ 700,000</u>	

Debt Service Requirements to Maturity

The 1998 Series B bonds mature through 2033 as follows:

Series B

Fiscal Year	Principal	Interest to Maturity	Total
2026-2030	\$ 2,585,000	\$ 987,090	\$ 3,572,090
2031-2033	2,310,000	177,250	2,487,250
Total	<u>\$ 4,895,000</u>	<u>\$ 1,164,340</u>	<u>\$ 6,059,340</u>

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

The 1998 Series C bonds mature through 2028 as follows:

Series C

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2016	\$ -	\$ 119,475	\$ 119,475
2017	-	119,475	119,475
2018	-	119,475	119,475
2019	50,000	119,475	169,475
2020	95,000	117,975	212,975
2021-2025	1,340,000	499,025	1,839,025
2026-2028	1,515,000	129,000	1,644,000
Total	<u>\$ 3,000,000</u>	<u>\$ 1,223,900</u>	<u>\$ 4,223,900</u>

The 2010 Refunding bonds mature through 2029 as follows:

Refunding

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2016	\$ 700,000	\$ 420,988	\$ 1,120,988
2017	725,000	400,488	1,125,488
2018	765,000	371,488	1,136,488
2019	790,000	340,888	1,130,888
2020	820,000	309,288	1,129,288
2021-2025	4,535,000	1,089,113	5,624,113
2026-2029	2,620,000	245,250	2,865,250
Total	<u>\$ 10,955,000</u>	<u>\$ 3,177,503</u>	<u>\$ 14,132,503</u>

Compensated Absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2015, amounted to \$486,054.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2015, was \$643,175, and contributions made by the District during the year were \$218,703. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$86,441 and \$(124,972), respectively, which resulted in an increase to the net OPEB obligation of \$385,941. As of June 30, 2015, the net OPEB obligation was \$2,546,959. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Cafeteria Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 15,000	\$ -	\$ 669	\$ -	\$ 15,669
Stores inventories	50,352	-	16,112	-	66,464
Total Nonspendable	65,352	-	16,781	-	82,133
Restricted					
Legally restricted programs	1,004,777	-	1,776,523	49,522	2,830,822
Capital projects	-	896,911	-	304,721	1,201,632
Debt services	-	-	-	1,172,437	1,172,437
Total Restricted	1,004,777	896,911	1,776,523	1,526,680	5,204,891
Assigned					
Retiree benefits	2,817,105	-	-	-	2,817,105
Deferred maintenance	4,331	-	-	-	4,331
Capital projects	-	-	-	1,294,658	1,294,658
Measure CL carryover	421,916	-	-	-	421,916
Other	5,000	-	-	-	5,000
Total Assigned	3,248,352	-	-	1,294,658	4,543,010
Unassigned					
Reserve for economic uncertainties	5,889,247	-	-	-	5,889,247
Total Unassigned	5,889,247	-	-	-	5,889,247
Total	\$ 10,207,728	\$ 896,911	\$ 1,793,304	\$ 2,821,338	\$ 15,719,281

NOTE 10 - 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 53 retirees and beneficiaries currently receiving benefits, terminated Plan members entitled to, but not yet receiving benefits, and 371 active Plan members.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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 2014-2015, the District contributed \$218,703 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	\$ 643,175
Interest on net OPEB obligation	86,441
Adjustment to annual required contribution	(124,972)
Annual OPEB cost (expense)	<u>604,644</u>
Contributions made	<u>(218,703)</u>
Increase in net OPEB obligation	385,941
Net OPEB obligation, beginning of year	<u>2,161,018</u>
Net OPEB obligation, end of year	<u><u>\$ 2,546,959</u></u>

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
2013	\$ 584,264	\$ 224,735	38%	\$ 1,779,194
2014	611,452	229,628	38%	2,161,018
2015	604,644	218,703	36%	2,546,959

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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 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, 2013	\$ -	\$ 5,534,711	\$ 5,534,711	0%	\$ 23,895,812	23%

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, 2013, 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 five 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, 2015

NOTE 11 - RISK MANAGEMENT

Property and Liability

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

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 2015, 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:

<u>Insurance Program / Company Name</u>	<u>Type of Coverage</u>	<u>Limits</u>
<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

LAWDALE ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of CalSTRS and classified employees are members of CalPERS.

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

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Proportionate Share of Deferred Inflows of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS	\$ 32,705,162	\$ 2,331,854	\$ 8,053,584	\$ 2,823,511
CalPERS	9,915,554	1,276,803	3,816,357	881,290
Total	<u>\$ 42,620,716</u>	<u>\$ 3,608,657</u>	<u>\$ 11,869,941</u>	<u>\$ 3,704,801</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, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

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

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

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

Contributions

Required member, District, and State of California 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, 2015, are presented above, and the District's total contributions were \$2,331,854.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

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

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 32,705,162
State's proportionate share of net pension liability associated with the District	19,748,789
Total	<u><u>\$ 52,453,951</u></u>

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.0560 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$2,823,511. In addition, the District recognized revenue and pension expense of \$1,704,958 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 2,331,854	\$ -
Difference between projected and actual earnings on pension plan investments	-	8,053,584
Total	<u><u>\$ 2,331,854</u></u>	<u><u>\$ 8,053,584</u></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 year ended June 30, 2016.

The deferred 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:

<u>Year Ended June 30,</u>	<u>Amortization</u>
2016	\$ 2,013,396
2017	2,013,396
2018	2,013,396
2019	2,013,396
Total	<u><u>\$ 8,053,584</u></u>

LAWDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Actuarial Methods and Assumptions

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

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

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

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

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 50,978,794
Current discount rate (7.60%)	32,705,162
1% increase (8.60%)	17,468,274

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, 2013, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015, are summarized as follows:

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

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, 2015, are presented above, and the total District contributions were \$1,276,803.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$9,915,554. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2014 and June 30, 2013, respectively, was 0.0873 percent and 0.0912 percent, resulting in a net decrease in the proportionate share of 0.0038 percent.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

For the year ended June 30, 2015, the District recognized pension expense of \$881,290. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,276,803	\$ -
Net change in proportionate share of net pension liability	-	409,261
Difference between projected and actual earnings on pension plan investments	-	3,407,096
Total	<u>\$ 1,276,803</u>	<u>\$ 3,816,357</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 year ended June 30, 2016.

The deferred inflows of resources related to the net change in proportionate share of net pension liability will be amortized over the Expected Average Remaining Service Lives (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2013-2014 measurement period is 3.9 years and the pension expense will be recognized as follows:

Year Ended June 30,	Amortization
2016	\$ 136,420
2017	136,420
2018	136,421
Total	<u>\$ 409,261</u>

The deferred 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,	Amortization
2016	\$ 851,774
2017	851,774
2018	851,774
2019	851,774
Total	<u>\$ 3,407,096</u>

LAWDALE ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Actuarial Methods and Assumptions

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

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

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

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

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

LAWDALE ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Discount Rate

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.50%)	\$ 17,394,145
Current discount rate (7.50%)	9,915,554
1% increase (8.50%)	3,666,437

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 \$1,357,043 (5.679 percent of annual payroll.) Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

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

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2015.

Construction Commitments

As of June 30, 2015, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Expected Date of Completion</u>
Kitchen Modernization Project	\$ 1,300,000	December 31, 2015
FDR/Carson Consolidation Project	1,000,000	September 30, 2016
Mitchell Playground Project	64,000	December 31, 2015
	<u>\$ 2,364,000</u>	

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 14 - PARTICIPATION IN JOINT POWER AUTHORITY

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

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

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

During the year ended June 30, 2015, the District made payments of \$1,312,807 to the ASCIP.

NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, in the current year. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position

Net Position - Beginning	\$ 43,662,251
Inclusion of net pension liability from the adoption of GASB Statement No. 68	(54,061,861)
Inclusion of deferred outflows of resources from the adoption of GASB Statement No. 68	3,105,629
Net Position - Beginning as restated	<u>\$ (7,293,981)</u>

REQUIRED SUPPLEMENTARY INFORMATION

LAWNDALE ELEMENTARY SCHOOL DISTRICT

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
REVENUES				
Local Control Funding Formula	\$ 42,216,598	\$ 43,090,423	\$ 43,355,793	\$ 265,370
Federal sources	3,215,757	4,356,010	3,825,105	(530,905)
Other State sources	5,985,459	6,530,595	7,847,704	1,317,109
Other local sources	1,621,727	1,895,545	2,337,852	442,307
Total Revenues ¹	<u>53,039,541</u>	<u>55,872,573</u>	<u>57,366,454</u>	<u>1,493,881</u>
EXPENDITURES				
Current				
Certificated salaries	26,795,660	27,890,981	28,866,172	(975,191)
Classified salaries	9,300,182	9,632,669	9,333,600	299,069
Employee benefits	8,793,952	8,820,586	8,819,006	1,580
Books and supplies	1,981,718	3,517,459	3,058,740	458,719
Services and operating expenditures	4,885,800	5,632,077	5,395,606	236,471
Other outgo	854,998	1,124,483	775,488	348,995
Capital outlay	89,750	60,000	-	60,000
Total Expenditures ¹	<u>52,702,060</u>	<u>56,678,255</u>	<u>56,248,612</u>	<u>429,643</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>337,481</u>	<u>(805,682)</u>	<u>1,117,842</u>	<u>1,923,524</u>
Other Financing Sources (Uses)				
Transfers in	229,628	218,704	-	(218,704)
Transfers out	(214,445)	(890,428)	(944,658)	(54,230)
Net Financing Sources (Uses)	<u>15,183</u>	<u>(671,724)</u>	<u>(944,658)</u>	<u>(272,934)</u>
NET CHANGE IN FUND BALANCES	352,664	(1,477,406)	173,184	1,650,590
Fund Balances - Beginning	10,034,544	10,034,544	10,034,544	-
Fund Balances - Ending	<u>\$ 10,387,208</u>	<u>\$ 8,557,138</u>	<u>\$ 10,207,728</u>	<u>\$ 1,650,590</u>

¹ On behalf payments of \$1,357,043 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.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

**CAFETERIA BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	Original	Final		Positive (Negative)
				Final to Actual
REVENUES				
Federal sources	\$ 2,684,443	\$ 3,017,778	\$ 3,141,051	\$ 123,273
Other State sources	202,956	267,606	231,894	(35,712)
Other local sources	193,618	200,967	226,228	25,261
Total Revenues	3,081,017	3,486,351	3,599,173	112,822
EXPENDITURES				
Current				
Classified salaries	1,374,356	1,434,082	1,434,082	-
Employee benefits	421,276	449,943	449,943	-
Books and supplies	1,712,635	1,684,580	1,871,713	(187,133)
Services and operating expenditures	136,091	164,337	164,337	-
Other outgo	130,000	208,591	208,591	-
Capital outlay	372,674	968,818	968,818	-
Total Expenditures	4,147,032	4,910,351	5,097,484	(187,133)
Excess (Deficiency) of Revenues Over Expenditures	(1,066,015)	(1,424,000)	(1,498,311)	(74,311)
Other Financing Sources				
Transfers in	-	675,983	730,213	54,230
NET CHANGE IN FUND BALANCES	(1,066,015)	(748,017)	(768,098)	(20,081)
Fund Balance - Beginning	2,561,402	2,561,402	2,561,402	-
Fund Balance - Ending	\$ 1,495,387	\$ 1,813,385	\$ 1,793,304	\$ (20,081)

LAWNDALE ELEMENTARY SCHOOL DISTRICT

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

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, 2009	\$ -	\$ 4,159,207	\$ 4,159,207	0%	\$ 24,190,675	17%
July 1, 2011	-	4,941,563	4,941,563	0%	23,537,702	21%
July 1, 2013	-	5,534,711	5,534,711	0%	23,895,812	23%

LAWNDALE ELEMENTARY SCHOOL DISTRICT

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

CalSTRS

District's proportion of the net pension liability	<u>0.0560%</u>
District's proportionate share of the net pension liability	\$ 32,705,162
State's proportionate share of the net pension liability associated with the District	19,748,789
Total	<u>\$ 52,453,951</u>
 District's covered - employee payroll	 <u>\$ 25,289,611</u>
 District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	 <u>129.32%</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>77%</u>

CalPERS

District's proportion of the net pension liability	<u>0.0873%</u>
District's proportionate share of the net pension liability	<u>\$ 9,915,554</u>
District's covered - employee payroll	<u>\$ 9,198,947</u>
 District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	 <u>107.79%</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>83%</u>

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

LAWNDALE ELEMENTARY SCHOOL DISTRICT

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

CalSTRS

Contractually required contribution	\$ 2,331,854
Contributions in relation to the contractually required contribution	<u>(2,331,854)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 26,497,712</u>
Contributions as a percentage of covered - employee payroll	<u>8.88%</u>

CalPERS

Contractually required contribution	\$ 1,276,803
Contributions in relation to the contractually required contribution	<u>(1,276,803)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 10,114,343</u>
Contributions as a percentage of covered - employee payroll	<u>11.77%</u>

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

SUPPLEMENTARY INFORMATION

LAWNDALE ELEMENTARY SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through the California Department of Education (CDE):			
No Child Left Behind Act			
Title I, Part A - Basic Grants Low-Income and Neglected	84.010	14329	\$ 1,366,110
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	295,847
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	180,245
Title IV, Part B, 21st Century Community Learning Centers Program Core Program	84.287	14349	114,532
Title IV, Part B, 21st Century Community Learning Centers Program Family Literacy	84.287	14788	4,973
Passed through the Los Angeles County Office of Education			
Title X, McKinney - Vento Homeless Children Assistance Grants	84.196	[1]	2,500
Individuals with Disabilities Education Act (IDEA)			
Special Education (IDEA) Cluster			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	922,910
Preschool Grants, Part B, Section 619	84.173	13430	138,587
Preschool Local Entitlement, Part B, Section 611	84.027A	13682	289,246
Preschool Staff Development, Part B, Section 619	84.173A	13431	703
Total Special Education (IDEA) Cluster			<u>1,351,446</u>
Total U.S. Department of Education			<u>3,315,653</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through CDE:			
Child Development: Federal Child Care, Center-Based	93.596	13609	127,463
Passed through California Department of Health Services:			
Medi-Cal Billing Option	93.778	10013	39,425
Total U.S. Department of Health and Human Services			<u>166,888</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	2,146,826
Meal Supplement	10.555	13391	173,332
Especially Needy Breakfast Program	10.553	13526	445,432
Summer Seamless Option	10.559	13004	121,106
Commodities	10.555	13396	187,133
Total Child Nutrition Cluster			<u>3,073,829</u>
Child Nutrition - Centers and Family Day Care	10.558	13393	49,856
Passed through the Los Angeles County Department of Health			
Nutrition Education Obesity Prevention	10.561	[1]	404,216
Total U.S. Department of Agriculture			<u>3,527,901</u>
Total Expenditures of Federal Awards			<u>\$ 7,010,442</u>

[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, 2015

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>
Ms. Bonnie J. Coronado	President	2017
Mrs. Shirley Rudolph	Clerk	2017
Mrs. Shirley Bennett	Trustee	2015
Mrs. Cathy Burris	Trustee	2015
Mrs. Ann Phillips	Trustee	2017

ADMINISTRATION

Dr. Ellen Dougherty	Superintendent of Schools
Mr. John D. Vinke	Deputy Superintendent
Dr. Betsy Hamilton	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, 2015**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	2,470.18	2,467.84
Fourth through sixth	1,903.95	1,900.81
Seventh and eighth	1,173.59	1,173.69
Total Regular ADA	<u>5,547.72</u>	<u>5,542.34</u>
Extended Year Special Education		
Transitional kindergarten through third	7.23	7.23
Fourth through sixth	3.16	3.16
Seventh and eighth	1.17	1.17
Total Extended Year Special Education	<u>11.56</u>	<u>11.56</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.15	1.32
Fourth through sixth	3.46	3.67
Seventh and eighth	0.83	0.78
Total Special Education, Nonpublic, Nonsectarian Schools	<u>5.44</u>	<u>5.77</u>
Total ADA	<u><u>5,564.72</u></u>	<u><u>5,559.67</u></u>

See accompanying note to supplementary information.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

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

Grade Level	1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	2014-15 Actual Minutes	Number of Days		Status
				Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	35,000	50,515	180	N/A	Complied
Grades 1 - 3	50,400	49,000				
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	52,500				
Grade 4			54,195	180	N/A	Complied
Grade 5			54,195	180	N/A	Complied
Grade 6			59,600	180	N/A	Complied
Grades 7 - 8	54,000	52,500				
Grade 7			59,600	180	N/A	Complied
Grade 8			59,600	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, 2015**

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

See accompanying note to supplementary information.

LAWDALE ELEMENTARY SCHOOL DISTRICT

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

	(Budget) 2016 ¹	2015	2014	2013
GENERAL FUND ⁴				
Revenues	\$ 61,914,542	\$ 57,347,995	\$ 50,109,244	\$ 47,106,371
Other sources and transfers in	218,704	-	237,462	224,736
Total Revenues and Other Sources	62,133,246	57,347,995	50,346,706	47,331,107
Expenditures	60,698,327	56,324,673	50,876,504	49,865,089
Other uses and transfers out	214,445	944,658	281,228	-
Total Expenditures and Other Uses	60,912,772	57,269,331	51,157,732	49,865,089
INCREASE (DECREASE) IN FUND BALANCE	\$ 1,220,474	\$ 78,664	\$ (811,026)	\$ (2,533,982)
ENDING FUND BALANCE	\$ 8,606,766	\$ 7,386,292	\$ 7,307,628	\$ 8,118,654
AVAILABLE RESERVES ²	\$ 5,947,634	\$ 5,889,247	\$ 5,590,383	\$ 6,861,124
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	9.76%	10.53%	11.21%	14.10%
LONG-TERM OBLIGATIONS	N/A	\$ 22,628,321	\$ 22,963,034	\$ 23,273,170
K-12 AVERAGE DAILY ATTENDANCE AT P-2	5,565	5,565	5,603	5,555

The General Fund balance has decreased by \$732,362 over the past two years. The fiscal year 2015-2016 budget projects an increase of \$1,220,474 (17 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years, but anticipates incurring an operating surplus during the 2015-2016 fiscal year. Total long-term obligations have decreased by \$644,849 over the past two years.

Average daily attendance has increased by 10 over the past two years. No change in ADA is anticipated during fiscal year 2015-2016.

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

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

³ On behalf payments of \$1,357,043, \$1,287,712, and \$1,218,197, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015, 2014, and 2013, respectively.

⁴ 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, 2015**

<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, 2015**

	Child Development Fund	Capital Facilities Fund	State School Building Fund
ASSETS			
Deposits and investments	\$ 29,023	\$ 271,653	\$ 28,252
Receivables	313,177	863	91
Total Assets	<u>\$ 342,200</u>	<u>\$ 272,516</u>	<u>\$ 28,343</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 292,678	\$ 5,767	\$ 25,530
Fund Balances:			
Restricted	49,522	266,749	2,813
Assigned	-	-	-
Total Fund Balances	<u>49,522</u>	<u>266,749</u>	<u>2,813</u>
Total Liabilities and Fund Balances	<u>\$ 342,200</u>	<u>\$ 272,516</u>	<u>\$ 28,343</u>

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Tax Override Fund	Debt Service Fund	Non-Major Governmental Funds
\$ 35,047	\$ 1,291,203	\$ 1,153,041	\$ 9	\$ 19,325	\$ 2,827,553
112	3,455	-	-	62	317,760
<u>\$ 35,159</u>	<u>\$ 1,294,658</u>	<u>\$ 1,153,041</u>	<u>\$ 9</u>	<u>\$ 19,387</u>	<u>\$ 3,145,313</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 323,975</u>
35,159	-	1,153,041	9	19,387	1,526,680
-	1,294,658	-	-	-	1,294,658
<u>35,159</u>	<u>1,294,658</u>	<u>1,153,041</u>	<u>9</u>	<u>19,387</u>	<u>2,821,338</u>
<u>\$ 35,159</u>	<u>\$ 1,294,658</u>	<u>\$ 1,153,041</u>	<u>\$ 9</u>	<u>\$ 19,387</u>	<u>\$ 3,145,313</u>

LAWNDALE ELEMENTARY SCHOOL DISTRICT

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

	Child Development Fund	Capital Facilities Fund	State School Building Fund
REVENUES			
Federal sources	\$ 127,463	\$ -	\$ -
Other State sources	2,085,418	-	-
Other local sources	2,459	25,837	96
Total Revenues	<u>2,215,340</u>	<u>25,837</u>	<u>96</u>
EXPENDITURES			
Current			
Instruction	1,780,754	-	-
Instruction-related activities:			
Supervision of instruction	240,826	-	-
School site administration	77,396	-	-
Pupil services:			
Food services	21,716	-	-
All other pupil services	18	-	-
General administration:			
All other general administration	116,612	5,767	-
Plant services	922	17,713	-
Facility acquisition and construction	-	115,235	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	<u>2,238,244</u>	<u>138,715</u>	<u>-</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>(22,904)</u>	<u>(112,878)</u>	<u>96</u>
Other Financing Sources			
Transfers in	-	-	-
NET CHANGE IN FUND BALANCES	<u>(22,904)</u>	<u>(112,878)</u>	<u>96</u>
Fund Balances - Beginning	<u>72,426</u>	<u>379,627</u>	<u>2,717</u>
Fund Balances - Ending	<u>\$ 49,522</u>	<u>\$ 266,749</u>	<u>\$ 2,813</u>

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Tax Override Fund	Debt Service Fund	Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 127,463
-	-	12,500	-	-	2,097,918
236	175,890	1,427,464	-	130	1,632,112
<u>236</u>	<u>175,890</u>	<u>1,439,964</u>	<u>-</u>	<u>130</u>	<u>3,857,493</u>
-	-	-	-	-	1,780,754
-	-	-	-	-	240,826
-	-	-	-	-	77,396
-	-	-	-	-	21,716
-	-	-	-	-	18
-	-	-	-	-	122,379
-	-	-	-	-	18,635
-	-	-	-	-	115,235
-	-	685,000	-	-	685,000
-	-	793,913	-	-	793,913
-	-	<u>1,478,913</u>	<u>-</u>	<u>-</u>	<u>3,855,872</u>
236	175,890	(38,949)	-	130	1,621
-	214,445	-	-	-	214,445
236	390,335	(38,949)	-	130	216,066
34,923	904,323	1,191,990	9	19,257	2,605,272
<u>\$ 35,159</u>	<u>\$ 1,294,658</u>	<u>\$ 1,153,041</u>	<u>\$ 9</u>	<u>\$ 19,387</u>	<u>\$ 2,821,338</u>

LAWDALE ELEMENTARY SCHOOL DISTRICT

**GENERAL FUND SELECTED FINANCIAL INFORMATION
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND
CHANGES OF FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

(Amounts in thousands)

	Actual Results for the Years					
	2014-2015		2013-2014		2012-2013	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES¹						
Federal revenue	\$ 3,825	6.7	\$ 3,725	7.4	\$ 4,870	10.3
State and local revenue included in Local Control Funding Formula	43,356	75.6	36,670	73.2	28,279	60.0
Other State revenue	7,848	13.7	7,200	14.4	12,568	26.7
Other local revenue	2,319	4.0	2,514	5.0	1,389	3.0
Total Revenues	57,348	100.0	50,109	100.0	47,106	100.0
EXPENDITURES¹						
Salaries and Benefits						
Certificated salaries	27,509	48.0	25,315	50.5	23,850	50.6
Classified salaries	9,334	16.3	8,561	17.1	8,408	17.8
Employee benefits	10,176	17.7	7,995	16.0	9,338	19.8
Total Salaries and Benefits	47,019	82.0	41,871	83.6	41,596	88.2
Books and supplies	3,059	5.3	2,708	5.4	2,127	4.5
Services and operating expenses	5,396	9.4	5,410	10.8	5,079	10.8
Capital outlay	-	0.0	114	0.2	38	0.1
Other outgo	851	1.5	773	1.5	1,025	2.2
Total Expenditures	56,325	98.2	50,876	101.5	49,865	105.8
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,023	1.8	(767)	(1.5)	(2,759)	(5.8)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	0.0	237	0.5	225	0.5
Transfers out	(945)	(1.6)	(281)	(0.6)	-	0.0
CHANGE IN FUND BALANCE	78	0.2	(811)	(1.6)	(2,534)	(5.3)
FUND BALANCE, BEGINNING	7,308		8,119		10,653	
FUND BALANCE, ENDING	\$ 7,386		\$ 7,308		\$ 8,119	

¹ General Fund amounts do not include activity related to the consolidation of the Deferred Maintenance Fund and the 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

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

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 Child Nutrition- Centers and Family Day Care and Medi-Cal Billing Option funds that have been recorded in the current period as revenues that have not been expended as of June 30, 2015. These unspent balances are reported as legally restricted ending balances within the General Fund.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 7,093,619
Child Nutrition - Centers and Family Day Care	10.558	(17,366)
Medi-Cal Billing Option	93.778	(65,811)
Total Schedule of Expenditures of Federal Awards		<u>\$ 7,010,442</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.

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.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

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.

General Fund Selected Financial Information

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the General Fund for the past three years.

INDEPENDENT AUDITOR'S REPORTS



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

Governing Board
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, 2015, and the related notes to the financial statements, which collectively comprise Lawndale Elementary School District's basic financial statements, and have issued our report thereon dated December 7, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 1 and 15 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lawndale Elementary School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lawndale Elementary School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lawndale Elementary School District's internal control.

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

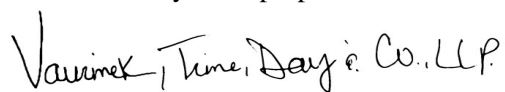
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of This Report

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

Vavinek, Time, Day & Co., LLP.

Rancho Cucamonga, California
December 7, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Governing Board
Lawndale Elementary School District
Lawndale, California

Report on Compliance for Each Major Federal Program

We have audited Lawndale Elementary School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Lawndale Elementary School District's (the District) major Federal programs for the year ended June 30, 2015. Lawndale Elementary School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lawndale Elementary School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Lawndale Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Lawndale Elementary School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Lawndale Elementary School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lawndale Elementary School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lawndale Elementary School District's internal control over compliance.

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

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

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

Vauirex, Time, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2015



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Lawndale Elementary School District
Lawndale, California

Report on State Compliance

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Lawndale Elementary School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Lawndale Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Lawndale Elementary School District's compliance with those requirements.

Unmodified Opinion on Each of the Programs

In our opinion, Lawndale Elementary School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2015.

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

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

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

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

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

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

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

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

The District does not offer an Adult Education Program; therefore, we did not perform any procedures for Adult Education Maintenance of Effort Program.

The District did not expend any California Clean Energy Jobs Act funding; therefore, we did not perform any procedures for California Clean Energy Jobs Act.

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

Vavinek, Tunc, Day & Co., LLP.

Rancho Cucamonga, California
December 7, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LAWNDALE ELEMENTARY SCHOOL DISTRICT

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

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>

Identification of major Federal programs:

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

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

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
Unmodified for all programs except for the following	

LAWNDALE ELEMENTARY SCHOOL DISTRICT

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

None reported.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

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

None reported.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

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

None reported.

LAWNDALE ELEMENTARY SCHOOL DISTRICT

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

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.