



**NORWALK-LA MIRADA
UNIFIED SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



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

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Norwalk-La Mirada Unified School District
Norwalk, 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 Norwalk-La Mirada Unified School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Norwalk-La Mirada Unified School District, as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 17, budgetary comparison schedule on page 78, schedule of other postemployment benefits funding progress on page 79, schedule of the District's proportionate share of net pension liability on page 80, and the schedule of District contributions on page 81, 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 Norwalk-La Mirada Unified 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2017, on our consideration of the Norwalk-La Mirada Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Norwalk-La Mirada Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Norwalk-La Mirada Unified School District's internal control over financial reporting and compliance.

VAUGHN, TRINE, RY & CO. LLP

Rancho Cucamonga, California

December 11, 2017



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This section of Norwalk-La Mirada Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017, with comparative information for the year ending June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units 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 of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

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

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

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

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

The Primary unit of the government is the Norwalk-La Mirada Unified School District.

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NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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 twelve students, adult education 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 program is included here.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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.

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. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

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 our funds for associated student body activities and scholarships. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund 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.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$(14,754,938) for the fiscal year ended June 30, 2017. Of this amount, \$(211,393,080) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use that net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's activities.

Table 1

	Governmental Activities		Business-Type Activities		School District Activities	
	2017	2016	2017	2016	2017	2016
ASSETS						
Current and other assets	\$ 142,778,622	\$ 152,412,645	\$ 426,863	\$ 237,388	\$ 143,205,485	\$ 152,650,033
Capital assets	291,517,355	288,624,585	-	-	291,517,355	288,624,585
Total Assets	434,295,977	441,037,230	426,863	237,388	434,722,840	441,274,618
Deferred Outflows of Resources	44,680,609	36,680,325	142,518	109,732	44,823,127	36,790,057
LIABILITIES						
Current liabilities	22,863,847	22,738,213	50,050	17,421	22,913,897	22,755,634
Long-term obligations	257,552,143	260,517,181	-	-	257,552,143	260,517,181
Aggregate net pension liability	205,042,598	167,093,347	449,702	350,401	205,492,300	167,443,748
Total Liabilities	485,458,588	450,348,741	499,752	367,822	485,958,340	450,716,563
Deferred Inflows of Resources	8,320,453	34,996,618	22,112	106,626	8,342,565	35,103,244
NET POSITION						
Net investment in capital assets	156,293,584	150,847,101	-	-	156,293,584	150,847,101
Restricted	40,344,558	38,347,601	-	-	40,344,558	38,347,601
Unrestricted	(211,440,597)	(196,822,506)	47,517	(127,328)	(211,393,080)	(196,949,834)
Total Net Position	\$ (14,802,455)	\$ (7,627,804)	\$ 47,517	\$ (127,328)	\$ (14,754,938)	\$ (7,755,132)

The \$(211,393,080) in unrestricted net position represents the accumulated results of all past years' operations. This unrestricted net position now includes the long-term liabilities from pension benefits as required under GASB 67/68, impacting the overall net position. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by \$14,443,246 (\$(211,393,080) compared to \$(196,949,834)).

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 19. 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

	Governmental Activities		Business-Type Activities		School District Activities	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	\$ 1,569,310	\$ 2,002,995	\$ 957,134	\$ 884,086	\$ 2,526,444	\$ 2,887,081
Operating grants and contributions	50,002,838	49,499,556	-	-	50,002,838	49,499,556
General revenues:						
Federal and State aid not restricted	147,466,324	150,405,173	-	-	147,466,324	150,405,173
Property taxes	47,221,594	43,135,137	-	-	47,221,594	43,135,137
Other general revenues	12,795,932	14,980,440	4,502	2,590	12,800,434	14,983,030
Total Revenues	259,055,998	260,023,301	961,636	886,676	260,017,634	260,909,977
Expenses						
Instruction-related	176,034,072	159,626,087	-	-	176,034,072	159,626,087
Pupil services	30,125,654	27,494,119	-	-	30,125,654	27,494,119
Administration	12,498,228	11,565,996	-	-	12,498,228	11,565,996
Maintenance and operations	24,698,805	22,368,475	-	-	24,698,805	22,368,475
Other	22,953,890	22,266,135	706,791	600,562	23,660,681	22,866,697
Total Expenses	266,310,649	243,320,812	706,791	600,562	267,017,440	243,921,374
Excess (Deficiency)						
Transfers	80,000	200,000	(80,000)	(200,000)	-	-
Change in Net Position	\$ (7,174,651)	\$ 16,902,489	\$ 174,845	\$ 86,114	\$ (6,999,806)	\$ 16,988,603

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Governmental Activities

As reported in the *Statement of Activities* on page 19, the cost of all of our governmental activities this year was \$266,310,649, an increase of \$22,989,837 or 9.4 percent over the prior year. However, the amount that our taxpayers ultimately financed for these activities through local taxes is only a small portion equating to 17.7 percent of overall expenditures and the vast majority of expenditures were paid by those who benefited from the programs \$(1,569,310) or by other governments and organizations who subsidized certain programs with grants and contributions \$(50,002,838). We paid for the remaining "public benefit" portion of our governmental activities with \$160,262,256 from Federal and State unrestricted funds and from other revenue sources, such as interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: regular program instruction, including special instruction programs and other instruction-related programs, pupil services, including student transportation and school food services, administration, maintenance and operations, and all other remaining functional costs. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction-related	\$ 176,034,072	\$ 159,626,087	\$ 139,890,668	\$ 124,388,152
Pupil services	30,125,654	27,494,119	17,441,300	16,027,525
Administration	12,498,228	11,565,996	11,196,938	9,859,556
Maintenance and operations	24,698,805	22,368,475	23,655,089	19,675,905
Other	22,953,890	22,266,135	22,554,506	21,867,123
Total	\$ 266,310,649	\$ 243,320,812	\$ 214,738,501	\$ 191,818,261

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$94,496,808, which is a decrease of \$10,238,086 from last year. An itemized chart is provided below labeled as Table 4.

Table 4

	Balances and Activity			
	July 1, 2016	Revenues	Expenditures	June 30, 2017
General Fund	\$ 47,997,959	\$ 214,987,038	\$ 216,421,237	\$ 46,563,760
Special Reserve Fund for Capital Outlay Projects	10,783,025	2,658,145	2,132,497	11,308,673
Bond Interest and Redemption Fund	16,369,910	16,165,288	15,851,541	16,683,657
Adult Education Fund	1,174,265	4,549,553	3,942,601	1,781,217
Child Development Fund	148,466	11,425,088	11,414,053	159,501
Cafeteria Fund	6,942,050	11,887,813	11,997,698	6,832,165
Deferred Maintenance Fund	159,960	300,581	130,879	329,662
Building Fund	20,493,537	195,888	10,942,506	9,746,919
Capital Facilities Fund	665,722	655,053	229,521	1,091,254
Total	\$ 104,734,894	\$ 262,824,447	\$ 273,062,533	\$ 94,496,808

The primary reasons for these decreases are:

- The Building Fund decreased \$10.75 million from \$20.5 million to \$9.7 million, due to the use of general obligation bond proceeds from the Measure S & G initiatives for further planning of Phase 1A projects and the purchase of additional student devices and infrastructure upgrades for the Technology 2020 initiative.
- The General Fund is inclusive of the Special Reserve Fund for Postemployment Benefits (Fund 20) in accordance with GASB 54 Fund Balance Regulations, and decreased from \$48.0 million to \$46.6 million or \$(1.43) million for both unrestricted and restricted sources.
 - The unrestricted General Fund decreased \$1.7 million, as a result of negotiations between both employee associations for on-going salary (3 percent) and health benefit raises, higher pension contributions, and increases in expenditures for Local Control Accountability Plan services.
 - The restricted General Fund increased slightly by \$0.28 million for additional grants received from the state, which provide funds to support specific legislation; such as, the College Readiness Block Grant (\$0.63 million), Special Education Mental Health (\$0.19 million), and E-rate (\$0.14 million). This increase in grant funds were offset for expenditures to implement the Clean Energy Jobs Grant (\$1.6 million) and the Educator Effectiveness Grant (\$(4.8 million)).

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

- The Adult Education Fund received additional one-time consortium funds to work with surrounding adult program providers totaling \$0.37 million, and also had lower expenditures of \$0.24 due to staff vacancies; resulting in a fund balance increase \$0.61 million.
- The Special Reserve Fund for Capital Outlay Projects increased from \$10.78 million to \$11.31 million due to higher than anticipated Community Redevelopment Fund proceeds of \$0.25 million and lease revenues.
- The Capital Facilities Fund ending balance increased \$0.43 million from \$0.67 million to \$1.09 million, as a result of higher revenues from developer fees
- The Bond Interest and Redemption Fund is used for the repayment of bonds issued under Measure S and Measure G, and was increased by \$0.31 million.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on May 8, 2017. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on Page 78, and a summary of the major budgetary changes are provided below.)

- Budgetary revenue changes were \$3.14 million higher than original anticipated, inclusive of transfers in; and expenditures were higher by \$5.99 million, inclusive of transfers out, from the Adopted Budget. In total, final budgetary revisions for the 2016-2017 fiscal year projected a decrease in the estimated fund balance of \$1.21 million; and final actuals were \$1.43 million.

Noteworthy budget revisions to revenues are outlined below:

- Local Control Funding Formula, also known as LCFF, was left relatively unchanged from the original budget to final projections with a total budgetary change of 0.11 percent or \$0.19 million.
- Budgeted Federal revenues increased 4.69 percent or \$0.55 million. Significant changes included, Title I, II, and III program carryovers of \$0.12 million; \$0.18 million for a Special Education Preschool Grant, and \$0.22 million for E-rate reimbursement.
- State revenues were revised from \$21.13 million to \$23.06 million, an increase of \$1.92 million, primarily due to one-time funds provided by the state as follows:
 - College Readiness Block grant funds for \$0.62 million
 - California Clean Energy Jobs grant funding of \$1.12 million to further implement the district's approved five-year plan to improve energy efficiency district-wide.
- Local revenue revisions were \$0.62 million, increasing the original budget figures from \$1.58 million to \$2.19 million at final for the following:
 - Interest income from the County Treasurer of \$0.14 million
 - Donations made to various K-8 schools increased by \$0.27 million
 - New grant funding from the Cotsen Foundation of \$0.30 million for teacher training

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Noteworthy budget revisions to expenditures are outlined below:

- Certificated and Classified salaries and benefits were \$4.97 million higher than the Adopted Budget primarily due to increases to cover a negotiated cost-of-living increase of 3.0 percent, effective July 1, 2016, a one-time bonus of 1.5 percent and on-going health benefits contributions.
- Books and supply budgets were \$0.71 million higher in total. Unrestricted budgets were increased slightly by \$0.07 million primarily for site instructional materials purchased with Lottery funds; while restricted budgets increased \$0.54 million for the use of one-time carryover from various state, federal, and local programs; in addition to new grants received.
- Services and operating expenditures increased marginally from \$17.97 million to \$18.04 million, an increase of 0.41 percent and reflects an increase in projected changes for additional services, contracts, tuition, and software licenses.
- Capital outlay budgeted expenditures increased for funds received from the Emergency Repair program of \$0.36 million, to repair the Norwalk High weight room.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had \$291,517,355 in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$2,892,770, or 1.0 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2017	2016
Land and construction in progress	\$ 22,799,033	\$ 18,068,501
Buildings and improvements	262,182,163	264,127,554
Furniture and equipment	6,536,159	6,428,530
Total	\$ 291,517,355	\$ 288,624,585

Capital assets represent one of the largest investments for the District. Modernization and construction projects continue to progress and a more detailed explanation is outlined in Note 5.

Significant deductions to capital assets included cohort 1 student and teacher devices and various school kitchen upgrades being completed. Additions included the improvements for districtwide VOIP, roofing, heating and ventilation upgrades and cohort 2 student and teacher devices. As a result, total capital assets increased from \$399.7 million to \$411.1 million, excluding accumulated depreciation.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

Long-Term Obligations

At the end of this year, the District had \$257,552,143 in long-term obligations outstanding versus \$260,517,181 last year, a decrease of 1.1 percent. Those obligations consisted of:

Table 6

	Governmental Activities	
	2017	2016
General obligation bonds - net (financed with property taxes)	\$ 205,078,995	\$ 211,313,729
Certificates of participation	2,770,165	2,770,165
Capital lease	170,660	214,065
Accumulated vacation - net	2,669,413	2,474,774
Claims liability	17,343,000	17,036,000
Postemployment benefits	29,252,513	26,396,007
SELF workers' compensation assessment	267,397	312,441
Total	\$ 257,552,143	\$ 260,517,181

The District's general obligation bond rating is Aa3 assigned by Moody's Investors Service. The State limits the amount of general obligation 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 debt is significantly below the voter- approved threshold statutorily imposed limits.

Other long-term obligations are inclusive of compensated absences payable, workers' compensation claims liability and assessment, and postemployment health benefits. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

Net Pension Liability (NPL)

At year-end, the District had a pension liability of \$205,042,598 in the governmental activities and \$449,702 in the business-type activities, as a result of the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2017-2018 year, the governing board and management used the following criteria:

The District's projected budgeted income for the total General Fund is \$207.58 million. Unrestricted totals are \$152.25 million or 73.3 percent of all General Fund revenues, and restricted revenues are budgeted at \$55.33 million or 26.7 percent of total revenues. The key assumptions in our revenue forecast are:

1. LCFF revenue sources are budgeted at \$9,830, an increase of \$267 per ADA from 2016-2017 estimated funding levels. Revenue Limit/LCFF funding includes 1.56 percent cost-of-living adjustment, which is used to increase the base grants annually. It is important to note that the COLA affects only the calculation of the LCFF Target, and does not describe the net increase in funding for each district. Projected Second Period Apportionment (P2 ADA) is calculated at 17,589 excluding non-public school and County Operated Programs. Enrollment projections indicate a decline in student population, in addition to changes to the "unduplicated pupil counts" that directly effects LCFF funding. Under the funding provision for LCFF, the District is eligible to claim the higher totals between current and prior year ADA; consequently, budget projections for 2017-2018 are based using 2016-2017 generated ADA.
 - a. LCFF income is projected at \$173.57 million (inclusive of EPA funding and property taxes), representing 83.6 percent of all revenue sources. This represents an increase over prior year estimated actuals. The increase is a result of Governor's Proposal to increase funding by \$1.4 billion statewide, resulting in an estimated "Gap" funding of 43.97 percentage, or \$4.7 million. Similar to revenue limits, LCFF Gap funding is partially offset by declining enrollment of an estimated 300 students, or roughly \$2.0 million.
 - i. Property tax revenues have been increasing in recent years due to the shift of community redevelopment property tax funds from cities to districts. Revenues are estimated \$26.35 million, or 12.69 percent of total budgeted revenues.
 - ii. Education Protection Account funding was also established to collect and disburse the temporary taxes generated under Proposition 30, which was extended under Proposition 55. EPA revenues are estimated at \$22.15 million; and similar to property taxes, any changes in EPA funding is offset by a change in LCFF.
2. Federal income is budgeted at \$11.97 million, a decrease of \$0.36 million from the previous reported budget. Funding losses for one-time carryover funds from various federal programs will be re-evaluated and adjusted in the next budget update.
3. Income from State funding sources is budgeted at \$19.63 million, a decrease of \$3.42 million or 14.84 percent from the District's final budget amounts. The reduction was primarily due to the loss of one-time discretionary funds of \$214/ADA provided by the state in 2016-2017.
4. Local revenues are projected to be \$1.58 million, or \$0.61 million lower than prior year estimates from the loss of the Southeast Academy interagency agreement, Cerritos College AMETLL grant, and one-time LAUP funds.
5. Other Financing Sources (transfers-in) include Board of Education approved transfers to support and fund specific identified activities, such as child-care and OPEB, and are budgeted at \$0.82 million.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

The District's total General Fund expenditures are budgeted at \$217.45 million. Unrestricted expenditures are budgeted at \$158.10 million and restricted expenditures are budgeted at \$59.36 million. Salaries and benefits represent 84.6 percent of all expenditures and the remaining 15.4 percent is allocated to books, materials, supplies, capital equipment, other operating expenditures, and other uses. Expenditures are based on the following forecasts:

1. Salaries for certificated and classified personnel total \$136.90 million. Staffing ratios approved in policy and employee contracts are included in the proposed budget and reflect the salaries of 693 classroom teachers, 46 certificated site administrators, 35 counselors, 37 other certificated staff, 41 certificated and classified management staff, 8 confidential employees and 557 classified site and district staff. Provided below are teacher staffing ratios, while classified staffing is designed by school-site levels.

	Staffing Ratio	Enrollment Projections
Grades kindergarten through third	26:1	5,342
Grades four through five	31:1	2,672
Grades six through eight	30:1	4,149
Grades nine through twelve	28.8:1	5,095

Salary projections include the following:

- a. Negotiations for the 2016-2017 were settled with both bargaining associations and the cost of the 3.00 percent cost-of-living increases are budgeted; however, 2017-2018 negotiations remain unsettled.
 - Certificated and classified budgeted salaries also include the increased or improved services to pupils reflected in the District's Local Control Accountability Plan (LCAP), and includes the addition of \$2.7 million for certificated salaries \$0.58 million for classified position to support English-language learners, low socio-economic students, and foster youth.
 - b. Step, scale, and longevity increases estimated at \$0.98 million, which has been adjusted for attrition.
2. Employee benefits are budgeted at \$47.13 million, and include statutory benefits for all positions as follows: (STRS 14.43 percent, PERS 15.531 percent, OASDI 6.2 percent, Medicare 1.45 percent, SUI 0.05 percent, Workers' Comp 2.22 percent, Alternative Retirement 5.00 percent, and OPEB 0.014 percent.). STRS and PERS rates reflect increases from previous years which were 12.58 and 13.888 percent, respectively. The State has warned that future increases are scheduled to be phased-in over the next seven years to eliminate the outstanding liabilities. These increased employer contributions for STRS and PERS are estimated to impact multi-year projections by over \$4.16 million through 2019-2020.
 - a. The District also negotiated to increase the contribution for each active employee eligible for health and welfare benefits from \$10,075 to \$10,350, effective Plan Year 2016; and will also contribute an additional \$1.0 million annually to mitigate future medical premium increases. The District also makes a contribution to cover retiree's pay-as-you go portion, which is estimated at \$0.79 million.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

3. \$33.4 million of the total General Fund operating budget is allocated for books, supplies (\$9.80 million), other operating expenses and services (\$17.16 million), capital outlay (\$4.07 million), and other outgo and uses (\$2.41 million).
4. Staff presented the LCAP and use of supplemental and concentration funds to meet the needs of the targeted students (also known as the proportionality percentage) as required by statute to the Board of Education, which was approved and included in the 2017-2018 District Budget. Total funding required to meet the proportionality percentage requirement is budgeted at \$29.38 million, resulting in a minimum proportionality percentage 20.99 percent, an increase of 1.67 percent over the prior year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Estuardo Santillan, Assistant Superintendent, Business Services or Manuel Cardoso, Director of Business Services at Norwalk-La Mirada Unified School District, 12820 Pioneer Blvd, Norwalk, California, 90650, or e-mail at esantillan@nlmusd.org and mcardoso@nlmusd.org.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	\$ 132,505,312	\$ 417,770	\$ 132,923,082
Receivables	7,992,501	7,298	7,999,799
Prepaid expenses	1,924,370	1,795	1,926,165
Stores inventories	356,439	-	356,439
Capital assets			
Land and construction in process	22,799,033	-	22,799,033
Other capital assets	388,268,682	12,795	388,281,477
Less: accumulated depreciation	(119,550,360)	(12,795)	(119,563,155)
Total Capital Assets	291,517,355	-	291,517,355
Total Assets	434,295,977	426,863	434,722,840
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	892,565	-	892,565
Deferred outflows of resources related to pensions	43,788,044	142,518	43,930,562
Total Deferred Outflows of Resources	44,680,609	142,518	44,823,127
LIABILITIES			
Accounts payable	18,213,601	15,396	18,228,997
Accrued interest payable	835,226	-	835,226
Unearned revenue	3,815,020	34,654	3,849,674
Long-term obligations:			
Current portion of long-term obligations other than pensions	17,853,407	-	17,853,407
Noncurrent portion of long-term obligations other than pensions	239,698,736	-	239,698,736
Total Long-Term Obligations	257,552,143	-	257,552,143
Aggregate net pension liability	205,042,598	449,702	205,492,300
Total Liabilities	485,458,588	499,752	485,958,340
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	8,320,453	22,112	8,342,565
NET POSITION			
Net investment in capital assets	156,293,584	-	156,293,584
Restricted for:			
Debt service	17,970,379	-	17,970,379
Capital projects	1,091,254	-	1,091,254
Educational programs	4,064,454	-	4,064,454
Other activities	17,218,471	-	17,218,471
Unrestricted	(211,440,597)	47,517	(211,393,080)
Total Net Position	\$ (14,802,455)	\$ 47,517	\$ (14,754,938)

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 141,141,697	\$ (14,953)	\$ 28,673,884
Instruction-related activities:			
Supervision of instruction	16,683,186	44,623	5,365,540
Instructional library, media, and technology	1,983,252	-	167,845
School site administration	16,225,937	53,545	1,852,920
Pupil services:			
Home-to-school transportation	5,782,758	(2,604)	79,800
Food services	11,022,682	1,375,459	8,497,442
All other pupil services	13,320,214	(855)	2,735,112
Administration:			
Data processing	2,977,395	-	-
All other administration	9,520,833	67,976	1,233,314
Plant services	24,698,805	59,375	984,341
Ancillary services	1,088,947	-	25,985
Enterprise services	208,955	-	-
Interest on long-term obligations	9,669,259	-	-
Other outgo	3,494,258	(13,256)	386,655
Depreciation (unallocated) ¹	8,492,471	-	-
Total Governmental Activities	266,310,649	1,569,310	50,002,838
Business-Type Activities			
Enterprise services	706,791	957,134	-
Total School District	\$ 267,017,440	\$ 2,526,444	\$ 50,002,838

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
 Interagency revenues
 Interest and investment earnings
 Miscellaneous

Subtotal, General Revenues

Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

¹ This amount excludes any depreciation that is included in the direct expenses of the various programs.

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
\$ (112,482,766)	\$ -	\$ (112,482,766)
(11,273,023)	-	(11,273,023)
(1,815,407)	-	(1,815,407)
(14,319,472)	-	(14,319,472)
(5,705,562)	-	(5,705,562)
(1,149,781)	-	(1,149,781)
(10,585,957)	-	(10,585,957)
(2,977,395)	-	(2,977,395)
(8,219,543)	-	(8,219,543)
(23,655,089)	-	(23,655,089)
(1,062,962)	-	(1,062,962)
(208,955)	-	(208,955)
(9,669,259)	-	(9,669,259)
(3,120,859)	-	(3,120,859)
(8,492,471)	-	(8,492,471)
(214,738,501)	-	(214,738,501)
-	250,343	250,343
(214,738,501)	250,343	(214,488,158)
30,401,820	-	30,401,820
16,055,476	-	16,055,476
764,298	-	764,298
147,466,324	-	147,466,324
823,227	-	823,227
200,132	-	200,132
11,772,573	4,502	11,777,075
207,483,850	4,502	207,488,352
80,000	(80,000)	-
(7,174,651)	174,845	(6,999,806)
(7,627,804)	(127,328)	(7,755,132)
\$ (14,802,455)	\$ 47,517	\$ (14,754,938)

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2017

	General Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Deposits and investments	\$ 54,791,987	\$ 11,440,858	\$ 16,683,657	\$ 19,191,043	\$ 102,107,545
Receivables	5,143,913	129,089	-	2,504,632	7,777,634
Due from other funds	392,380	-	-	-	392,380
Prepaid expenditures	25,067	-	-	470	25,537
Stores inventories	159,701	-	-	196,738	356,439
Total Assets	\$ 60,513,048	\$ 11,569,947	\$ 16,683,657	\$ 21,892,883	\$ 110,659,535
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 10,147,239	\$ 261,274	\$ -	\$ 1,546,814	\$ 11,955,327
Due to other funds	-	-	-	392,380	392,380
Unearned revenue	3,802,049	-	-	12,971	3,815,020
Total Liabilities	13,949,288	261,274	-	1,952,165	16,162,727
Fund Balances:					
Nonspendable	309,768	-	-	197,208	506,976
Restricted	4,064,454	2,121,948	16,683,657	19,413,848	42,283,907
Committed	-	-	-	329,662	329,662
Assigned	6,184,237	9,186,725	-	-	15,370,962
Unassigned	36,005,301	-	-	-	36,005,301
Total Fund Balances	46,563,760	11,308,673	16,683,657	19,940,718	94,496,808
Total Liabilities and Fund Balances	\$ 60,513,048	\$ 11,569,947	\$ 16,683,657	\$ 21,892,883	\$ 110,659,535

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds **\$ 94,496,808**

**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:	\$ 411,067,715	
Accumulated depreciation is:	<u>(119,550,360)</u>	
Net Capital Assets		291,517,355

This is the deferred amount on refunding as a result of refunding of bonds.

The difference between the amounts that were sent to the escrow agent for the repayment of the old debt and the actual remaining debt obligation will be amortized as an adjustment to interest expense over the remaining life of the refunded debt. This balance represents the unamortized remaining balance as of year-end.

892,565

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred.

(835,226)

An Internal Service Fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities.

8,642,796

Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:

Pension contributions subsequent to measurement date	17,949,128	
Net change in proportionate share of net pension liability	2,663,506	
Difference between projected and actual earnings on pension plan investments	20,684,005	
Differences between expected and actual experience in the measurement of the total pension liability	<u>2,491,405</u>	
Total Deferred Outflows of Resources Related to Pensions		43,788,044

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds.

Deferred inflows of resources related to pensions at year-end consist of:

Net change in proportionate share of net pension liability	(2,991,376)	
Differences between expected and actual experience in the measurement of the total pension liability	(3,588,724)	
Changes in assumptions	<u>(1,740,353)</u>	
Total Deferred Inflows of Resources Related to Pensions		(8,320,453)

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, (Continued) JUNE 30, 2017

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.

\$ (205,042,598)

Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term obligations at year-end consist of:

General obligation bonds	\$ (138,448,236)
Unamortized premium on bond issuance	(4,474,194)
2005 Certificates of Participation (QZAB program)	(2,770,165)
Capital leases payable	(170,660)
Other postemployment benefits (OPEB)	(29,252,513)
Compensated absences (vacations)	(2,669,413)

In addition, the District has issued "capital appreciation" General Obligation Bonds. The accretion of interest on the General Obligation Bonds to date is:

(62,156,565)

Total Long-Term Obligations

(239,941,746)

Total Net Position - Governmental Activities

\$ (14,802,455)

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund
REVENUES			
Local control funding formula	\$ 170,664,479	\$ -	\$ -
Federal sources	12,043,044	-	-
Other State sources	30,095,735	-	146,783
Other local sources	2,103,780	2,458,145	16,018,505
Total Revenues	214,907,038	2,458,145	16,165,288
EXPENDITURES			
Current			
Instruction	128,170,530	-	-
Instruction-related activities:			
Supervision of instruction	14,829,699	-	-
Instructional library, media, and technology	1,917,202	-	-
School site administration	12,685,869	-	-
Pupil services:			
Home-to-school transportation	5,596,592	-	-
Food services	45,566	-	-
All other pupil services	12,438,024	-	-
Administration:			
Data processing	2,897,737	-	-
All other administration	8,800,937	-	-
Plant services	22,010,050	410,807	-
Facility acquisition and construction	1,945,175	1,721,690	-
Ancillary services	1,065,569	-	-
Other outgo	3,494,258	-	-
Enterprise services	-	-	-
Debt service			
Principal	22,405	-	13,560,000
Interest and other	2,581	-	2,291,541
Total Expenditures	215,922,194	2,132,497	15,851,541
Excess (Deficiency) of Revenues Over Expenditures	(1,015,156)	325,648	313,747
Other Financing Sources (Uses)			
Transfers in	80,000	200,000	-
Transfers out	(499,043)	-	-
Net Financing Sources (Uses)	(419,043)	200,000	-
NET CHANGE IN FUND BALANCES	(1,434,199)	525,648	313,747
Fund Balances - Beginning	47,997,959	10,783,025	16,369,910
Fund Balances - Ending	\$ 46,563,760	\$ 11,308,673	\$ 16,683,657

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

Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 170,664,479
19,119,881	31,162,925
6,376,957	36,619,475
3,218,095	23,798,525
<u>28,714,933</u>	<u>262,245,404</u>
8,617,441	136,787,971
1,342,706	16,172,405
6,907	1,924,109
3,062,139	15,748,008
-	5,596,592
10,823,687	10,869,253
453,838	12,891,862
-	2,897,737
578,100	9,379,037
1,786,728	24,207,585
11,579,389	15,246,254
-	1,065,569
-	3,494,258
385,323	385,323
21,000	13,603,405
-	2,294,122
<u>38,657,258</u>	<u>272,563,490</u>
<u>(9,942,325)</u>	<u>(10,318,086)</u>
299,043	579,043
-	(499,043)
<u>299,043</u>	<u>80,000</u>
(9,643,282)	(10,238,086)
29,584,000	104,734,894
<u>\$ 19,940,718</u>	<u>\$ 94,496,808</u>

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds

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

\$ (10,238,086)

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 Statement of Activities.

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

Capital outlays

\$ 15,429,992

Depreciation expense

(8,492,471)

Net Expense Adjustment

6,937,521

Cost write-off for canceled capital projects: If a planned capital project is canceled, costs previously capitalized as work in progress must be written off to expense. Costs written off for canceled projects were \$4,044,751.

(4,044,751)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, there are no special termination benefits. Vacation earned was more than the amounts used by \$194,639.

(194,639)

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

(2,983,766)

Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. However, the difference between the annual required contribution 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 required contribution.

(2,856,506)

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

General obligation bonds

13,560,000

Capital lease obligations

43,405

Combined Adjustment

13,603,405

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, (Continued) FOR THE YEAR ENDED JUNE 30, 2017

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

Amortization of deferred charges on refunding	\$	(289,036)	
Amortization of premium on issuance		<u>560,498</u>	
Combined Adjustment			\$ 271,462

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. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds and the certificates of participation decreased by \$239,165 and second, \$7,885,764 of accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

(7,646,599)

An Internal Service Fund is used by the District's management to charge the costs of workers' compensation coverage, liability and property coverage, and health benefits to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.

(22,692)

Change in Net Position of Governmental Activities

\$ (7,174,651)

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2017

	Business-Type Activities Enterprise Fund Child Care Enterprise	Governmental Activities - Internal Service Fund
ASSETS		
Current Assets		
Deposits and investments	\$ 417,770	\$ 30,397,767
Receivables	7,298	214,867
Prepaid expenses	1,795	1,898,833
Total Current Assets	426,863	32,511,467
Noncurrent Assets		
Furniture and equipment	12,795	-
Less: accumulated depreciation	(12,795)	-
Total Capital Assets	-	-
Total Assets	426,863	32,511,467
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	142,518	-
LIABILITIES		
Current Liabilities		
Accounts payable	15,396	6,258,274
Unearned revenue	34,654	-
Current portion of claims liability	-	2,723,747
Aggregate net pension liability	449,702	-
Total Current Liabilities	499,752	8,982,021
Noncurrent Liabilities		
Noncurrent portion of claims liability and SELF assessment	-	14,886,650
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	22,112	-
NET POSITION		
Restricted	-	8,642,796
Unrestricted	47,517	-
Total Net Position	\$ 47,517	\$ 8,642,796

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES

IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities Enterprise Fund Child Care Enterprise	Governmental Activities - Internal Service Fund
OPERATING REVENUES		
Local and intermediate sources	\$ 957,134	\$ 30,156,091
OPERATING EXPENSES		
Payroll costs	620,960	208,081
Professional and contract services	25,926	30,231,041
Supplies and materials	59,905	23,405
Total Operating Expenses	706,791	30,462,527
Operating Income (Loss)	250,343	(306,436)
NONOPERATING REVENUES		
Interest income	4,502	283,744
Income (Loss) Before Transfers	254,845	(22,692)
Transfers out	(80,000)	-
Change in Net Position	174,845	(22,692)
Total Net Position - Beginning	(127,328)	8,665,488
Total Net Position - Ending	\$ 47,517	\$ 8,642,796

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities Enterprise Fund Child Care Enterprise	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 981,188	\$ -
Cash received from assessments made to other funds	-	30,021,957
Cash payments to employees for services	(638,959)	(208,081)
Cash payments to suppliers of goods or services	(53,750)	(29,764,956)
Other operating cash payments	(25,926)	(1,995)
Net Cash Provided by Operating Activities	262,553	46,925
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers out	(80,000)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	4,502	283,744
Net Increase in Cash and Cash Equivalents	187,055	330,669
Cash and Cash Equivalents - Beginning	230,715	30,067,098
Cash and Cash Equivalents - Ending	\$ 417,770	\$ 30,397,767
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED BY/USED FOR OPERATING ACTIVITIES		
Operating income/(loss)	\$ 250,343	\$ (306,436)
Adjustments to reconcile operating income to net cash provided by operating activities		
Changes in assets and liabilities:		
Receivables	(625)	(134,134)
Deferred outflows of resources related to pensions	(32,786)	-
Prepaid expenses	(1,795)	(259,715)
Accounts payable	7,950	485,254
Unearned revenue	24,679	-
Deferred inflows of resources related to pensions	(84,514)	-
Claims liability and self workers' compensation assessment	-	261,956
Net pension liability	99,301	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 262,553	\$ 46,925

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2017

	Scholarship Trust	Agency Funds
ASSETS		
Deposits and investments	\$ 15,632	\$ 1,257,249
Receivables	82	-
Total Assets	<u>15,714</u>	<u>\$ 1,257,249</u>
LIABILITIES		
Due to student groups	-	744,778
Due to employees	-	512,471
Total Liabilities	<u>-</u>	<u>\$ 1,257,249</u>
NET POSITION		
Restricted	<u>\$ 15,714</u>	

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS STATEMENT OF CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2017

	Scholarship Trust
ADDITIONS	
Interest	<u>\$ 176</u>
DEDUCTIONS	
Other expenditures	<u>500</u>
Change in Net Position	(324)
Net Position - Beginning	<u>16,038</u>
Net Position - Ending	<u><u>\$ 15,714</u></u>

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Norwalk-La Mirada Unified School District (the District) was unified on July 1, 1965 under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District is located in Los Angeles County, and occupies the cities of Norwalk and La Mirada, in addition to smaller portions of the cities of Santa Fe Springs, Whittier, and unincorporated areas of Los Angeles County. The District operates 17 elementary schools, six middle schools, three high schools, a continuation high school, and two adult education schools.

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

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:

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.

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 20, Special Reserve Fund for Postemployment Benefits, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance, revenues and other financing sources, and expenditures and other financing uses of \$5,890,293, \$660,672, and \$658,733, respectively, as of June 30, 2017.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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).

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).

Non-Major Governmental Funds

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

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

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.

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).

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

Capital Project Funds The Capital Project funds are used to account for 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).

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.

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).

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

Enterprise Fund Enterprise funds 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 fee-based child care program of the District.

Internal Service Fund Internal service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a self-insurance program that is accounted for in an internal service fund. The Internal Service Fund consists of three sub-funds as follows:

Health and Welfare Fund The Health and Welfare Fund is used to account for resources committed to the District's medical insurance program.

Workers' Compensation Fund The Workers' Compensation Fund is used to account for resources committed to the District's self-insurance program for workers' compensation.

Property and Liability Fund The Property and Liability Fund is used to account for resources committed to the District's self-insurance program for property and liability insurance.

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.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District operates a trust fund for the Paul and Estelle Fincik Scholarship Fund. 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 associated student body (ASB) activities and for voluntary payroll withholdings of the District's employees.

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.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The government-wide statement of activities presents 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. 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 are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from the special revenue funds and the internal service fund, 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 fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

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 modified accrual basis of accounting.

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

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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. For the District, available means expected to be received within 90 days of fiscal year-end. However, to achieve comparability of reporting among California 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 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.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Investments

Investments held at June 30, 2017, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Prepaid Expenditures (Expenses)

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when paid.

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 fund 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. General 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 financial statement of net position. The valuation basis for general capital assets are 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.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the capital assets of governmental funds.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements, 20 to 50 years; equipment, tow to 15 years; and vehicles, eight years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

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

Accrued Liabilities and Long-Term Obligations

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

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

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund 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 service expenditures.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 the unamortized charge on the refunding of general obligation bonds and deferred outflows of resources related to pension items.

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

Pensions

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

Fund Balances - Governmental Funds

As of June 30, 2017, fund balances of the governmental funds are classified as follows:

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

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 chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than five 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. Enabling legislation relates to laws passed that create a revenue source to be used for specific purposes. The government-wide financial statements report \$40,344,558 restricted by enabling legislation.

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 charges to other funds related to the self-insurance program and child care fees. Operating expenses are necessary costs 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 nonoperating 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.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 1st of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For 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.

Change in Accounting Principles

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

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

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

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

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

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

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

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

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

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

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

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

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

New Accounting Pronouncements

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

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

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

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

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

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

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

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

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

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

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

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

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

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and "negative" goodwill
- Classifying real estate held by insurance entities

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- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

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

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

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

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

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	\$ 132,505,312
Business-type activities	417,770
Fiduciary funds	1,272,881
Total Deposits and Investments	<u>\$ 134,195,963</u>

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

Cash on hand and in banks	\$ 744,778
Cash in revolving	400,000
Investments	133,051,185
Total Deposits and Investments	<u>\$ 134,195,963</u>

Policies and Practices

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

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Authorized Under Debt Agreements

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	N/A	None	None
Farmers Home Administration certificates	N/A	None	None
General Services Administration certificates	N/A	None	None
U.S. Maritime Administration financing	N/A	None	None
Small Business Administration certificates	N/A	None	None
Guaranteed Pool certificates	N/A	None	None
Government National Mortgage Association (GNMA) securities and bonds	N/A	None	None
U.S. Department of Housing and Urban Development obligations	N/A	None	None
U.S. Export-Import Bank obligations	N/A	None	None
Washington Metropolitan Area Transit Authority bonds	N/A	None	None
Federal Housing Administration debentures	N/A	None	None
Federal Home Loan Mortgage Corporation obligations	N/A	None	None
Farm Credit Banks bonds and notes	N/A	None	None
Federal Financing Bank	N/A	None	None
Federal Home Loan Banks obligations	N/A	None	None
Federal National Mortgage Association securities and obligations	N/A	None	None
Student Loan Marketing Association securities	N/A	None	None
Financing Corporation obligations	N/A	None	None
Resolution Funding Corporation obligations	N/A	None	None
Secured certificates of deposit, saving accounts, and deposit accounts	N/A	None	None
Unsecured certificates of deposit, time deposits, and bankers acceptance	30 days	None	None
Fully insured deposits	N/A	None	None
Commercial paper	270 days	None	None
Money market funds	N/A	None	None
Los Angeles County Investment Pool	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Repurchase Agreements	30 days	None	None
Repurchase Agreements	270 days	None	None
State obligations	N/A	None	None
Investment Agreements	N/A	None	None
Pre-Refunded Municipal Bonds	N/A	None	None

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 primarily in the Los Angeles County Investment Pool to provide the cash flow and liquidity needed for operations, and by purchasing a combination of shorter term and longer term investments and timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow necessary for debt service requirements.

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Reported Amount	Average Maturity in Days/ Maturity Date
Los Angeles County Investment Pool	\$ 130,929,237	672
First American Treasury Obligations Money Market Mutual Funds	1,661	26
Bnp Paribas Fortis Commercial Paper	2,120,287	12/29/2017
Total	<u>\$ 133,051,185</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 required to be rated, nor has it been rated as of June 30, 2017. The First American Treasury Obligations Money Market Mutual Fund has been rated AAAM by Standard and Poor's rating services. The investment in Bnp Paribas Fortis Commercial Paper has been rated A-1 by Standard and Poor's rating services.

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 agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2017, the District's cash in banks were either insured or collateralized by securities held by the pledging financial institution's trust department, but not in the name of the District.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

Investment Type	Reported Amount	Uncategorized
Los Angeles County Investment Pool	<u>\$ 130,929,237</u>	<u>\$ 130,929,237</u>

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 4 - RECEIVABLES

Receivables at June 30, 2017, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government					
Categorical aid	\$ 2,892,158	\$ -	\$ 1,881,005	\$ -	\$ 4,773,163
State Government					
Other Categorical aid	116,520	-	336,201	-	452,721
Special Education	327,750	-	-	-	327,750
Lottery	791,876	-	-	-	791,876
Local Government					
Interest	270,402	46,882	121,302	132,274	570,860
Southeast Academy ROP	434,346	-	-	-	434,346
Other Local Sources	310,861	82,207	166,124	82,593	641,785
Total	<u>\$ 5,143,913</u>	<u>\$ 129,089</u>	<u>\$ 2,504,632</u>	<u>\$ 214,867</u>	<u>\$ 7,992,501</u>

	Enterprise Fund	Fiduciary Funds
Federal Government		
Categorical aid	\$ -	\$ -
State Government		
Other Categorical aid	-	-
Special Education	-	-
Lottery	-	-
Local Government		
Interest	2,462	82
Southeast Academy ROP	-	-
Other Local Sources	4,836	-
Total	<u>\$ 7,298</u>	<u>\$ 82</u>

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 9,278,310	\$ -	\$ -	\$ 9,278,310
Construction in Progress	8,790,191	12,205,809	7,475,277	13,520,723
Total Capital Assets Not Being Depreciated	18,068,501	12,205,809	7,475,277	22,799,033
Capital Assets Being Depreciated:				
Land Improvements	10,385,989	114,509	-	10,500,498
Buildings and Improvements	350,724,065	5,134,214	-	355,858,279
Furniture and Equipment	20,543,273	1,405,986	39,354	21,909,905
Total Capital Assets Being Depreciated	381,653,327	6,654,709	39,354	388,268,682
Total Capital Assets	399,721,828	18,860,518	7,514,631	411,067,715
Less Accumulated Depreciation:				
Land Improvements	5,380,378	319,271	-	5,699,649
Buildings and Improvements	91,602,122	6,874,843	-	98,476,965
Furniture and Equipment	14,114,743	1,298,357	39,354	15,373,746
Total Accumulated Depreciation	111,097,243	8,492,471	39,354	119,550,360
Governmental Activities Capital Assets, Net	\$ 288,624,585	\$ 10,368,047	\$ 7,475,277	\$ 291,517,355
				-
Business-Type Activities				
Furniture and Equipment	\$ 12,795	\$ -	\$ -	\$ 12,795
Less Accumulated Depreciation	12,795	-	-	12,795
Business-Type Activities Capital Assets, Net	\$ -	\$ -	\$ -	\$ -

Depreciation expense was excluded as a direct expense to governmental functions.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due to/Due from)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2017, between major and non-major governmental funds as follows:

The Child Development Non-Major Governmental Fund owes the General Fund for a temporary cash borrowing to be repaid. \$ 392,380

Operating Transfers

Interfund transfers for the year ended June 30, 2017, consisted of the following:

Transfer To	Transfer From		Total
	General Fund	Enterprise Fund	
General Fund	\$ -	\$ 80,000	\$ 80,000
Special Reserve Fund for Capital Outlay Projects	200,000	-	200,000
Non-Major Governmental Funds	299,043	-	299,043
Total	<u>\$ 499,043</u>	<u>\$ 80,000</u>	<u>\$ 579,043</u>

The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects for future capital equipment purchases. \$ 200,000

The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund for deferred maintenance projects. 299,043

The Child Care Enterprise Fund transferred to the General Fund as a result of excess earnings from the fee-based program. 80,000

\$ 579,043

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

	General	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Enterprise Fund
Salaries and benefits	\$ 1,653,578	\$ -	\$ 227,876	\$ 6,181,409	\$ 8,062,863	\$ 14,339
LCFF apportionment	4,040,604	-	-	-	4,040,604	-
Supplies	476,287	-	286,816	-	763,103	-
Services	1,731,119	61,460	154,344	17,451	1,964,374	1,057
Construction	1,209,730	199,814	875,968	-	2,285,512	-
Pass-through of apportionment	1,032,347	-	-	-	1,032,347	-
Other vendor payables	3,574	-	1,810	59,414	64,798	-
Total	<u>\$ 10,147,239</u>	<u>\$ 261,274</u>	<u>\$ 1,546,814</u>	<u>\$ 6,258,274</u>	<u>\$ 18,213,601</u>	<u>\$ 15,396</u>

NOTE 8 - UNEARNED REVENUE

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities	Enterprise Fund
Federal financial assistance	\$ 1,600	\$ -	\$ 1,600	\$ -
State categorical aid	3,536,858	-	3,536,858	-
Other local	263,591	12,971	276,562	34,654
Total	<u>\$ 3,802,049</u>	<u>\$ 12,971</u>	<u>\$ 3,815,020</u>	<u>\$ 34,654</u>

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
General Obligation Bonds	\$ 206,279,037	\$ 7,885,764	\$ 13,560,000	\$ 200,604,801	\$ 15,085,000
Premium on issuance	5,034,692	-	560,498	4,474,194	-
2005 Certificates of Participation (Qualified Academy Zone Bonds)	2,770,165	-	-	2,770,165	-
Capital lease	214,065	-	43,405	170,660	44,660
Accumulated vacation - net	2,474,774	194,639	-	2,669,413	-
Claims liability	17,036,000	3,030,747	2,723,747	17,343,000	2,723,747
Other postemployment benefits (OPEB)	26,396,007	3,581,998	725,492	29,252,513	-
SELF workers' compensation assessment	312,441	-	45,044	267,397	-
Total	<u>\$ 260,517,181</u>	<u>\$ 14,693,148</u>	<u>\$ 17,658,186</u>	<u>\$ 257,552,143</u>	<u>\$ 17,853,407</u>

Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund with local revenues. The General Fund and the Child Development Fund makes the payments for the capital leases. The accrued vacation will be paid by the fund for which the employee worked. Claims liability for workers' compensation and the SELF assessment are paid out of the Internal Service Fund. Other postemployment benefits are generally paid by the General Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2016	Accreted	Redeemed	Bonds Outstanding June 30, 2017
4/20/2005	8/1/2029	3.00-5.31%	\$ 44,995,644	\$ 72,250,630	\$ 3,694,526	\$ 800,000	\$ 75,145,156
11/27/2007	8/1/2032	3.50-5.22%	29,200,602	20,876,628	1,035,780	325,000	21,587,408
7/14/2009	2/1/2034	6.16-7.36%	9,410,103	15,432,154	1,124,435	-	16,556,589
7/14/2009	8/1/2021	1.28-4.68%	13,580,000	8,570,000	-	500,000	8,070,000
10/8/2009	8/1/2038	5.50-6.47%	21,392,349	31,559,625	2,031,023	-	33,590,648
1/30/2013	8/1/2019	2.00-4.00%	11,630,000	11,225,000	-	2,425,000	8,800,000
5/20/2014	8/1/2019	0.45%-2.53%	15,115,000	14,510,000	-	3,265,000	11,245,000
11/19/2015	8/1/2045	2.00-5.00%	24,000,000	24,000,000	-	6,100,000	17,900,000
11/19/2015	8/1/2025	2.00-5.00%	7,855,000	7,855,000	-	145,000	7,710,000
				<u>\$ 206,279,037</u>	<u>\$ 7,885,764</u>	<u>\$ 13,560,000</u>	<u>\$ 200,604,801</u>

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

2002 General Obligation Bonds, Series 2005B

On April 20, 2005, the District issued \$44,995,644 of 2002 General Obligation Bonds, Series 2005B. The Series 2005B bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$70,089,356, and an aggregate principal debt service balance of \$115,085,000. The bonds have a final maturity to occur on August 1, 2029, with interest rates of 3.00 to 5.31 percent. Proceeds from the sale of the bonds were used to renovate, construct and modernize classrooms and school facilities and to pay all necessary legal, financial, engineering and contingent costs in connection with the issuance of the bonds. At June 30, 2017, the principal balance outstanding of the 2002 General Obligation Bonds, Series 2005B was \$75,145,156. Unamortized premium received on issuance of the bonds amounted to \$320,572 as of June 30, 2017.

2002 General Obligation Bonds, Series 2007C

On November 27, 2007, the District issued \$29,200,602 of 2002 General Obligation Bonds, Series 2007C. The Series 2007C bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$29,734,398, and an aggregate principal debt service balance of \$58,935,000. The bonds have a final maturity to occur on August 1, 2032, with interest rates of 3.50 to 5.22 percent. Proceeds from the sale of the bonds were used to prepay a portion of the District's outstanding obligation related to the 2006 Certificates of Participations (School Facility Bridge Funding) and to pay all necessary legal, financial and contingent costs in connection with the issuance of the bonds. At June 30, 2017, the principal balance outstanding of the 2002 General Obligation Bonds, Series 2007C was \$21,587,408. Unamortized premium received on issuance of the bonds amounted to \$400,110 as of June 30, 2017.

2002 General Obligation Bonds, Series 2009D

On July 14, 2009, the District issued \$9,410,103 General Obligation Bonds, Series 2009D. The Series 2009D bonds were issued as capital appreciation bonds, with the value of the capital appreciation bonds accreting to \$43,775,000. The bonds have a final maturity to occur on February 1, 2034, with interest rates of 6.16 to 7.36 percent. Proceeds from the sale of the bonds were used to renovate, construct and modernize classrooms and school facilities; to prepay a portion of the District's 2006 Certificates of Participation; and pay certain costs of issuance associated with the bonds. At June 30, 2017, the principal balance outstanding of the 2002 General Obligation Bonds, Series 2009D was \$16,556,589. Unamortized premium received on issuance of the bonds amounted to \$298,651 as of June 30, 2017.

2009 General Obligation Refunding Bonds

On July 14, 2009, the District issued \$13,580,000 of 2009 General Obligation Refunding Bonds. The bonds have a final maturity to occur on August 1, 2021, with interest rates from 1.28 to 4.68 percent. The net proceeds from the issuance were used to advance refund a portion of the District's outstanding 2002 General Obligation Bonds, Series 2007C and 2005 Refunding General Obligation Bonds and to pay the costs of issuance associated with the refunding bonds. At June 30, 2017, the principal balance outstanding on the 2009 General Obligation Refunding Bonds was \$8,070,000. Unamortized premium received on issuance of the bonds amounted to \$164,720 as of June 30, 2017.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

2002 General Obligation Bonds, Series 2009E

On October 8, 2009, the District issued \$21,392,349 General Obligation Bonds, Series 2009E. The Series 2009E bonds were issued as both capital appreciation bonds and convertible capital appreciation bonds, with the value of the bonds accreting to \$102,175,000. The bonds have a final maturity to occur on August 1, 2038, with interest rates of 5.50 to 6.47 percent. Proceeds from the sale of bonds were used to renovate, construct and modernize classrooms and school facilities; prepay a portion of the District's 2006 Certificates of Participation; and pay certain costs of issuance associated with the bonds. At June 30, 2017, the principal balance outstanding on the 2002 General Obligation Bonds, Series 2009E was \$33,590,648. Unamortized premium received on issuance of the bonds amounted to \$892,781 as of June 30, 2017.

2013 General Obligation Refunding Bonds, Series A

On January 30, 2013, the District issued \$11,630,000 of 2013 General Obligation Refunding Bonds, Series A. The bonds have a final maturity to occur on August 1, 2019, with interest rates from 2.00 to 4.00 percent. The net proceeds from the issuance were used to advance refund a portion of the District's outstanding 2005 General Obligation Refunding Bonds and to pay the costs of issuance associated with the refunding bonds. At June 30, 2017, the principal balance outstanding on the 2013 General Obligation Refunding Bonds, Series A was \$8,800,000. Unamortized premium received on issuance of the bonds amounted to \$244,364 as of June 30, 2017.

2014 General Obligation Refunding Bonds

On May 20, 2014, the District issued \$15,115,000 of 2014 General Obligation Refunding Bonds. The bonds have a final maturity to occur on August 1, 2019, with interest rates from 0.45 to 2.53 percent. The net proceeds from the issuance were used to advance refund a portion of the District's outstanding 2005 General Obligation Refunding Bonds and to pay the costs of issuance associated with the refunding bonds. At June 30, 2017, the principal balance outstanding on the 2014 General Obligation Refunding Bonds was \$11,245,000.

2014 General Obligation Bonds, Series A

On November 19, 2015, the District issued \$24,000,000 of 2014 General Obligation Bonds, Series A. The Bonds have a final maturity to occur on August 1, 2045, with interest rates from 2.00 to 5.00 percent. The net proceeds from sale of bonds will be used to finance the repair, upgrading, acquisition, construction and equipping of District sites and facilities and to pay the costs of issuing the bonds. At June 30, 2017, the principal balance outstanding on the 2014 General Obligation Bonds, Series A was \$17,900,000. Unamortized premium received on issuance of the bonds amounted to \$974,340 as of June 30, 2017.

2015 General Obligation Refunding Bonds

On November 19, 2015, the District issued \$7,855,000 of 2015 General Obligation Refunding Bonds. The Bonds have a final maturity to occur on August 1, 2025, with interest rates from 2.00 to 5.00 percent. The net proceeds from the issuance were used to advance refund a portion of the District's outstanding General Obligation Bonds, Election of 2002, Series 2007C and to pay the costs of issuing the refunding bonds. At June 30, 2017, the principal balance outstanding on the 2015 General Obligation Refunding Bonds was \$7,710,000. Unamortized premium received on issuance of the bonds amounted to \$1,178,656 as of June 30, 2017.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Debt Service Requirements to Maturity

The bonds mature through 2046 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2018	\$ 15,085,000	\$ -	\$ 1,798,652	\$ 16,883,652
2019	15,904,245	40,755	1,320,456	17,265,456
2020	10,174,202	85,798	889,122	11,149,122
2021	10,201,987	968,013	662,344	11,832,344
2022	10,243,940	1,586,060	930,281	12,760,281
2023-2027	49,366,811	18,703,189	5,349,644	73,419,644
2028-2032	49,404,608	42,950,392	1,921,128	94,276,128
2033-2037	29,705,014	57,404,934	841,181	87,951,129
2038-2042	8,653,994	19,936,908	565,625	29,156,527
2043-2046	1,865,000	-	156,900	2,021,900
Total	<u>\$ 200,604,801</u>	<u>\$ 141,676,049</u>	<u>\$ 14,435,333</u>	<u>\$ 356,716,183</u>

2005 Certificates of Participation (Qualified Academy Zone Bonds Program)

On December 29, 2005, the District, pursuant to a sublease agreement with the Public Property Financing Corporation of California (the Financing Corporation), issued the \$2,770,165 2005 Certificates of Participation (Qualified Academy Zone Bonds). The District had been granted authorization from the State Superintendent of Public Instruction to issue securities in an aggregate principal amount not to exceed \$3,069,000 in accordance with the qualified zone academy bonds tax credit program found in Section 1397E of the Internal Revenue Code of 1986 and State regulations, to finance certain projects at qualified zone academies within the District. The District and the Financing Corporation, in order to facilitate the financing of projects qualified under the QZAB Program, entered into a lease arrangement, by which the District will lease to the Financing Corporation those certain parcels of real property located in within the District and pursuant to a sublease the Corporation will sublease the property to the District, with the District required to pay base rental to the Corporation (an initial lease payment of \$600,000 was made December 29, 2005). The annual base rental payment of \$95,722, to begin December 29, 2006, will be deposited with the Bank of America into an interest generating investment to produce sufficient income to repay the \$2,770,165 certificates upon maturity on December 29, 2020. At June 30, 2017, the principal balance outstanding was \$2,770,165.

Capital Leases

The District has entered into agreements to lease equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

July 01, 2016	\$ 217,970
Payments	(45,985)
Balance, June 30, 2017	<u>\$ 171,985</u>

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Future payments on capital leases are as follows:

Year Ending June 30,	Lease Payment
2018	\$ 45,985
2019	21,000
2020	21,000
2021	21,000
2022	21,000
2023-2024	42,000
Total	171,985
Less: Amount Representing Interest	(1,325)
Present Value of Minimum Lease Payments	<u>\$ 170,660</u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2017, amounted to \$2,669,413.

Claims Liability

Liabilities associated with workers' compensation claims are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are based upon estimated ultimate cost of settling the claims, considering recent claim settlement trends including the frequency and amounts of payouts and other economic and social factors. The liability for workers' compensation claims is reported in the Internal Service Fund. The outstanding claims liability at June 30, 2017, amounted to \$17,343,000.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2017, was \$4,628,443, and contributions made by the District during the year were \$725,492. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$1,187,820 and \$(2,234,265), respectively, which resulted in an increase to the net OPEB obligation of \$2,856,506. As of June 30, 2017, the net OPEB obligation was \$29,252,513. See Note 13 for additional information regarding the OPEB obligation and the postemployment benefits plan.

Workers' Compensation Assessment

The District was a member of School Excess Liability Fund (SELF), a cost sharing Joint Powers Authority (JPA) for the purpose of providing the District excess workers' compensation insurance. The SELF board of directors declared an entity assessment to the member districts. At June 30, 2017, the District's outstanding obligation to their pro-rata share of equity assessed was \$267,397.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 125,000	\$ -	\$ -	\$ -	\$ 125,000
Stores inventories	159,701	-	-	196,738	356,439
Prepaid expenditures	25,067	-	-	470	25,537
Total Nonspendable	309,768	-	-	197,208	506,976
Restricted					
Legally restricted	4,064,454	-	-	8,575,675	12,640,129
Capital projects	-	2,121,948	-	10,838,173	12,960,121
Debt services	-	-	16,683,657	-	16,683,657
Total Restricted	4,064,454	2,121,948	16,683,657	19,413,848	42,283,907
Committed					
Deferred maintenance program	-	-	-	329,662	329,662
Assigned					
School site supply allocation carryover	293,944	-	-	-	293,944
Postemployment benefits	5,890,293	-	-	-	5,890,293
Capital projects	-	9,186,725	-	-	9,186,725
Total Assigned	6,184,237	9,186,725	-	-	15,370,962
Unassigned					
Reserve for economic uncertainties	6,286,686	-	-	-	6,286,686
Remaining unassigned	29,718,615	-	-	-	29,718,615
Total Unassigned	36,005,301	-	-	-	36,005,301
Total	\$ 46,563,760	\$ 11,308,673	\$ 16,683,657	\$ 19,940,718	\$ 94,496,808

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 11 – EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2017, the General Fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Financing Uses		
	Budget	Actual*	Excess
General Fund	<u>\$ 210,415,790</u>	<u>\$ 216,421,237</u>	<u>\$ 6,005,447</u>

* Actual expenditures include \$7,523,761 in on-behalf payments that are not included in budgeted amounts.

NOTE 12 - LEASE REVENUE

Lease agreements have been entered into with various lessees for terms that exceed one year. None of the agreements contain purchase options. All of the agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessees, but is unlikely that the District will cancel any of the agreements prior to their expiration date. The future minimum lease payments expected to be received under these agreements are as follows:

Year Ending June 30,	Lease Payment
2018	\$ 1,286,726
2019	661,878
2020	661,884
2021	659,250
Total	<u>\$ 3,269,738</u>

NOTE 13 - 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 Norwalk-La Mirada School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 81 retirees and beneficiaries currently receiving benefits, five terminated Plan members entitled to but not yet receiving benefits, and 1,814 active Plan members. In addition, the District has entered into an agreement with the former superintendent whereby the District will provide fully paid medical and dental benefits for the lifetime of the superintendent.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the Teachers Association (CEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, FEA, CSEA and the unrepresented groups. For fiscal year 2016-2017, the District contributed \$725,492 to the plan, all of which was used for current premiums (approximately 67 percent of total premiums). Plan members receiving benefits contributed \$362,773, or approximately 33 percent of the total premiums.

Other Postemployment Benefits (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 30 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	\$ 4,628,443
Interest on net OPEB obligation	1,187,820
Adjustment to annual required contribution	(2,234,265)
Annual OPEB cost (expense)	<u>3,581,998</u>
Contributions made	<u>(725,492)</u>
Increase in net OPEB obligation	2,856,506
Net OPEB obligation, beginning of year	<u>26,396,007</u>
Net OPEB obligation, end of year	<u><u>\$ 29,252,513</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
2015	\$ 3,530,020	\$ 633,498	17.95%	\$ 23,321,445
2016	3,703,886	629,324	16.99%	26,396,007
2017	3,581,998	725,492	20.25%	29,252,513

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected 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)
December 1, 2015	\$ -	\$ 33,293,075	\$ 33,293,075	0%	\$ 138,989,165	23.95%

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 December 1, 2015 actuarial valuation, the "entry age normal" method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates reflect an ultimate rate of four percent. The UAAL is being amortized at a level percentage of payroll method. The remaining amortization period at June 30, 2017, was 21 years. The actuarial value of assets was not determined in this actuarial valuation since there were no assets.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 14 - RISK MANAGEMENT

Employee Medical Benefits

The District has contracted with the Alliance of Schools for Cooperative Insurance Programs (ASCIP) public entity risk pool to provide employee dental benefits. The District also purchases medical, vision, and life insurance from various vendors for health care coverage. The District is not self-funded for employee medical benefits but has chosen to report the costs of health and welfare payments for all employees plus retirees in the Internal Service Fund.

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. To mitigate this potential loss, the District has established an Internal Service Fund to account for and finance its uninsured risks of loss for property and liability coverage. Under this program, the Internal Service Fund provides coverage for up to a maximum of \$50,000 for each general liability claim and \$25,000 for each property damage claim. During fiscal year ending June 30, 2017, the District participated in the ASCIP public entity risk pool for property and liability insurance coverage in excess of self-insured limits. Settled claims have not exceeded the insured coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year. In addition, the District purchases commercial insurance for property and liability claims in excess of coverage provided by the Internal Service Fund and for all other risks of loss.

Workers' Compensation and Property and Liability

Since 1985, the District has self-insured itself for workers' compensation coverage, retaining the risk of loss. The District has established an Internal Service Fund to account for and finance its uninsured risks of loss for workers' compensation coverage. Under this program, the Internal Service Fund provides coverage for up to a maximum of \$350,000 for each workers' compensation claim. The District purchases insurance for workers' compensation claims in excess of coverage provided by the Fund from Schools Excess Liability Fund (SELF) JPA.

Funding of the Internal Service Fund is based on estimates of the amounts needed to pay prior and current year claims. Workers' Compensation claims are charged to the respective funds which generate the liability and the Property and Liability claims are paid by the General Fund.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2015 to June 30, 2017:

	Workers' Compensation	Property and Liability	Total
Liability Balance, July 1, 2015	\$ 16,272,000	\$ 564,000	\$ 16,836,000
Claims and changes in estimates	2,637,442	61,386	2,698,828
Claims payments	(2,353,442)	(145,386)	(2,498,828)
Liability Balance, June 30, 2016	16,556,000	480,000	17,036,000
Claims and changes in estimates	2,922,741	108,006	3,030,747
Claims payments	(2,562,741)	(161,006)	(2,723,747)
Liability Balance, June 30, 2017	\$ 16,916,000	\$ 427,000	\$ 17,343,000
Assets available to pay claims at June 30, 2017	\$ 26,463,364	\$ 812,655	\$ 27,276,019

NOTE 15 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2017, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 147,115,885	\$ 26,156,264	\$ 5,535,276	\$ 14,422,608
CalPERS	58,376,415	17,774,298	2,807,289	6,539,739
Total	\$ 205,492,300	\$ 43,930,562	\$ 8,342,565	\$ 20,962,347

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	STRP Defined Benefit Program	
	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	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required State contribution rate	8.828%	8.828%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the District's total contributions were \$12,563,029.

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

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	\$ 147,115,885
State's proportionate share of the net pension liability associated with the District	83,750,449
Total	<u>\$ 230,866,334</u>

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively, was 0.1819 percent and 0.1850 percent, resulting in a net decrease in the proportionate share of 0.0031 percent.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

For the year ended June 30, 2017, the District recognized pension expense of \$14,422,608. In addition, the District recognized pension expense and revenue of \$8,095,362 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 12,563,029	\$ -
Net change in proportionate share of net pension liability	1,897,594	1,946,552
Difference between projected and actual earnings on pension plan investments	11,695,641	-
Differences between expected and actual experience in the measurement of the total pension liability	-	3,588,724
Total	<u>\$ 26,156,264</u>	<u>\$ 5,535,276</u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 255,159
2019	255,160
2020	6,798,717
2021	4,386,605
Total	<u>\$ 11,695,641</u>

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ (599,868)
2019	(599,868)
2020	(599,868)
2021	(599,868)
2022	(599,869)
Thereafter	(638,341)
Total	<u>\$ (3,637,682)</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

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

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.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.60%)	\$ 211,732,938
Current discount rate (7.60%)	147,115,885
1% increase (8.60%)	93,448,717

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
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	7.00%	6.00%
Required employer contribution rate	13.888%	13.888%

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 the 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 contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the total District contributions were \$5,433,551.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$58,376,415. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively was 0.2956 percent and 0.2912 percent, resulting in a net increase in the proportionate share of 0.0044 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$6,539,739. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 5,433,551	\$ -
Net change in proportionate share of net pension liability	771,858	1,053,425
Difference between projected and actual earnings on pension plan investments	9,058,143	-
Differences between expected and actual experience in the measurement of the total pension liability	2,510,746	-
Changes of assumptions	-	1,753,864
Total	<u>\$ 17,774,298</u>	<u>\$ 2,807,289</u>

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 1,270,524
2019	1,270,525
2020	4,152,999
2021	2,364,095
Total	<u>\$ 9,058,143</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ (289,867)
2019	252,730
2020	512,452
Total	<u>\$ 475,315</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.65%)	\$ 87,097,937
Current discount rate (7.65%)	58,376,415
1% increase (8.65%)	34,460,097

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Alternative Retirement Program

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 CalPERS to act as their administrators and Wells Fargo Bank to act as trustee and investment manager for the District's alternative plan. The plan is a defined benefit plan in which all contributions are made by the District. The District contributes 5.0 percent of an employee's gross earnings. The District contributed \$315,882 in the 2016-2017 fiscal year.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$7,523,761 (8.828 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves, but have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Grants

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

Litigation

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2017.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Construction Commitments

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

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Benton MS Landscape & Irrigation Renovation Phase 1A	\$ 609,871	07/01/19
Corvallis MS Landscape & Irrigation Renovation Phase 1A	561,395	07/01/18
Gardenhill ES Mod/HVAC Addition Project Phase 1A	110,637	07/01/18
Glenn HS New Synthetic Turf Sports Fields & Accessory Buildings	1,329,223	07/01/19
Hutchinson MS Mod/HVAC Addition Project Phase 1A	92,536	07/01/18
La Mirada HS Gym & Locker Room Renovation/Expansion Phase 1A	517,342	07/01/18
Los Alisos MS Mod/HVAC Addition Project Phase 1A	452,978	07/01/18
Morrison ES Mod/HVAC Addition Project Phase 1A	426,124	07/01/18
Chavez ES Mod/HVAC Addition Campus Wide Project	378,783	07/01/23
Dolland ES Mod/HVAC Addition Project Phase 1B	110,510	07/01/23
Dulles ES Mod/HVAC Addition Campus Wide Project	591,627	07/01/23
Eastwood ES Mod/HVAC Addition Project	139,254	07/01/26
Edmondson ES Mod/HVAC Addition Project	128,394	07/01/23
El Camino HS Mod/HVAC Addition Campus Wide Project	722,072	07/01/26
Escalona ES Mod/HVAC Addition Project Phase 1B	138,297	07/01/22
Foster ES Mod/HVAC Addition Project	134,554	07/01/26
Glazier ES Mod/HVAC Addition Project	63,747	07/01/26
Glenn HS Renovation Gym & Locker Room Buildings	362,033	07/01/26
Glenn HS Admin & MPR Buildings Mod Project	439,827	07/01/26
Johnston ES Mod/HVAC Addition Project	67,649	07/01/26
La Mirada HS Hard/Soft Scape Renovation	238,852	07/01/22
La Pluma ES Mod/HVAC Addition Project Phase 1B	139,025	07/01/26
Lampton ES Mod/HVAC Addition Project Phase 1B	66,966	07/01/23
Los Coyotes MS Mod/HVAC Addition Project	199,060	07/01/23
Moffitt ES Mod/HVAC Addition Project	117,597	07/01/26
New River ES Mod/HVAC Addition Project	67,433	07/01/26
Norwalk HS New Synthetic Turf Sports Fields & Accessory Buildings	373,110	07/01/22
Norwalk HS Renovation Hard/Soft-Scape Project	167,653	07/01/22
Norwalk HS Gym Mod & Weight Room Addition Phase 1B	899,073	07/01/22
Nuffer ES Mod/HVAC Addition Project	57,761	07/01/26
Sanchez ES Mod/HVAC Addition Project	114,355	07/01/26
Waite MS Mod/HVAC Addition Project Phase 1B	140,668	07/01/22
(F40) Facilities Relocation to Excelsior HS	3,144	07/01/18
(F40) Installation of Electronic Marquees at 8 Sites	394,207	07/01/18
(F40) La Mirada HS Portables Replacement	112,258	10/01/17
(F40) Los Alisos Portables Replacement	286,154	06/30/18
(F40) Sanchez ES New Playground Structure	165,473	10/16/17
	<u>\$ 10,919,642</u>	

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 17 - PARTICIPATION IN JOINT POWERS AGREEMENTS

The Norwalk-La Mirada Unified School District is a member of the Southeast Regional Occupational Program (SEROP) joint power authority (JPA), Schools Excess Liability Fund (SELF) JPA, and Alliance of Schools for Cooperative Insurance Programs (ASCIP). Payments for ROP services are paid to the SEROP JPA. Payments are made to ASCIP for dental benefits for District employees and for property and liability insurance. Payments are made to SELF for excess liability coverage for workers' compensation.

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

During the year ended June 30, 2017, the District made payments of \$1,879,454, \$526,400, and \$3,321,687 to SEROP, SELF, and ASCIP, respectively.

NOTE 18 – SUBSEQUENT EVENTS

2014 General Obligation Bonds, Series B

On August 3, 2017, the District issued \$59,000,000 of 2014 General Obligation Bonds, Series B. The Bonds have a final maturity to occur on August 1, 2047, with interest rates from 3.00 to 5.00 percent. The net proceeds from the sale of bonds will be used to finance the repair, upgrading, acquisition, construction and equipping of District sites and facilities and pay the costs of issuing the bonds.

2017 General Obligation Refunding Bonds

On August 3, 2017, the District issued \$1,460,000 of 2017 General Obligation Refunding Bonds. The Bonds have a final maturity to occur on August 1, 2021, with interest rates from 3.00 to 5.00 percent. The net proceeds from the sale of the bonds will be used to advance refund a portion of the District's outstanding 2009 Refunding Bonds and pay the costs of issuing the bonds.

REQUIRED SUPPLEMENTARY INFORMATION

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

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

	Budgeted Amounts		Actual	Variances -
	Original	Final	(GAAP Basis)	Positive (Negative) Final to Actual
REVENUES				
Local Control Funding Formula	\$ 170,616,703	\$ 170,805,830	\$ 170,664,479	\$ (141,351)
Federal sources	11,774,896	12,326,594	12,043,044	(283,550)
Other State sources	21,130,639	23,055,055	30,095,735	7,040,680
Other local sources	1,576,161	2,192,630	2,103,780	(88,850)
Total Revenues ¹	205,098,399	208,380,109	214,907,038	6,526,929
EXPENDITURES				
Current				
Certificated salaries	94,066,206	97,281,158	97,221,065	60,093
Classified salaries	37,678,485	38,667,326	38,366,763	300,563
Employee benefits	42,149,913	42,912,788	50,689,859	(7,777,071)
Books and supplies	7,503,140	8,214,135	7,725,304	488,831
Services and operating expenditures	17,969,933	18,043,065	17,396,371	646,694
Other outgo	2,892,728	2,829,323	2,935,525	(106,202)
Capital outlay	898,347	1,285,234	1,562,321	(277,087)
Debt service - principal	108,731	22,405	22,405	-
Debt service - interest	6,281	2,580	2,581	(1)
Total Expenditures ¹	203,273,764	209,258,014	215,922,194	(6,664,180)
Excess (Deficiency) of Revenues Over Expenditures	1,824,635	(877,905)	(1,015,156)	(137,251)
Other Financing Sources (Uses)				
Transfers in	955,915	823,056	80,000	(743,056)
Transfers out	(1,152,604)	(1,157,776)	(499,043)	658,733
Net Financing Uses	(196,689)	(334,720)	(419,043)	(84,323)
NET CHANGE IN FUND BALANCE	1,627,946	(1,212,625)	(1,434,199)	(221,574)
Fund Balance - Beginning	47,997,959	47,997,959	47,997,959	-
Fund Balance - Ending	\$ 49,625,905	\$ 46,785,334	\$ 46,563,760	\$ (221,574)

¹ On behalf payments of \$7,523,761 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 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to this fund is included in the Actual (GAAP Basis) revenues and expenditures, however is not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected 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)
December 1, 2011	\$ -	\$ 31,112,925	\$ 31,112,925	0%	\$ 113,318,164	27.46%
December 1, 2013	-	32,583,335	32,583,335	0%	117,421,217	27.75%
December 1, 2015	-	33,293,075	33,293,075	0%	138,989,165	23.95%

See accompanying note to required supplementary information.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
CalSTRS			
District's proportion of the net pension liability	0.1819%	0.1850%	0.1813%
District's proportionate share of the net pension liability	\$ 147,115,885	\$ 124,524,676	\$ 105,955,286
State's proportionate share of the net pension liability associated with the District	83,750,449	65,859,826	63,980,377
Total	\$ 230,866,334	\$ 190,384,502	\$ 169,935,663
District's covered - employee payroll	\$ 91,741,538	\$ 89,594,302	\$ 81,438,009
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	160%	139%	130%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
CalPERS			
District's proportion of the net pension liability	0.2956%	0.2912%	0.2985%
District's proportionate share of the net pension liability	\$ 58,376,415	\$ 42,919,072	\$ 33,889,275
District's covered - employee payroll	\$ 35,234,321	\$ 32,288,947	\$ 31,390,027
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	166%	133%	108%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

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

See accompanying note to required supplementary information.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

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

	2017	2016	2015
CalSTRS			
Contractually required contribution	\$ 12,563,029	\$ 9,843,867	\$ 7,955,974
Contributions in relation to the contractually required contribution	12,563,029	9,843,867	7,955,974
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered - employee payroll	\$ 99,865,095	\$ 91,741,538	\$ 89,594,302
Contributions as a percentage of covered - employee payroll	12.58%	10.73%	8.88%
CalPERS			
Contractually required contribution	\$ 5,433,551	\$ 4,174,210	\$ 3,800,732
Contributions in relation to the contractually required contribution	5,433,551	4,174,210	3,800,732
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered - employee payroll	\$ 39,124,071	\$ 35,234,321	\$ 32,288,947
Contributions as a percentage of covered - employee payroll	13.888%	11.847%	11.771%

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

See accompanying note to required supplementary information.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

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

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

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

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

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

Schedule of District Contributions

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

SUPPLEMENTARY INFORMATION

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Fund for the Improvement of Education	84.215E	[1]	\$ 389,453
Passed through California Department of Education (CDE):			
Adult Basic Education & ESL	84.002A	14508	200,356
Adult Secondary Education	84.002	13978	193,896
English Literacy & Civics Education	84.002A	14109	92,388
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	4,082,414
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	611,115
Title X McKinney-Vento Homeless Assistance Grants	84.196	14332	274,744
Title I, Part C, Migrant Ed (Regular and Summer Program)	84.011	14326	360,719
Title I, Migrant Ed Summer Program	84.011	10005	210,369
Title I, Part C, Even Start Migrant Education (MEES)	84.011	14768	26,826
Title III, English Learner Student Program	84.365	14346	354,540
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	456,127
Title II, Part B, CA Mathematics and Science Partnerships	84.366	14512	773,325
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	154,669
Carl D. Perkins Career and Technical Education: Adult, Section 132	84.048	14893	29,524
Passed through Los Angeles County Office of Education (LACOE):			
Special Education Cluster (IDEA):			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	3,308,620
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	4,060
Preschool Grants, Part B, Sec 619	84.173	13430	98,023
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	319,911
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	205,909
Preschool Staff Development, Part B, Sec 619	84.173A	13431	1,141
Subtotal Special Education Cluster (IDEA)			3,937,664
Early Intervention Grants, Part C	84.181	23761	44,364
Passed through Department of Rehabilitation:			
Workability II, Transition Partnership	84.126	10006	85,504
Passed through Napa County Office of Education:			
State Personnel Development Grant	84.323A	H323A120019	51,209
Subtotal - U.S. Department of Education			12,329,206

[1] Catalog number not available

See accompanying note to supplementary information.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, (Continued) FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through LACOE:			
Head Start Program [2]			
Head Start: Basic	93.600	10016	\$ 7,616,786
Head Start: Training and Technical Assistance (T&TA)	93.600	10016	23,460
Head Start: Start -Up Funding	93.600	10016	66,415
Head Start: Early Basic	93.600	10016	1,369,447
Subtotal Head Start Program			<u>9,076,108</u>
Passed through CDE:			
Medi-Cal Administrative Activities (MAA)	93.778	10060	205,457
Subtotal - U.S. Department of Health and Human Services			<u>9,281,565</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	6,242,666
Especially Needy Breakfast Program	10.553	13526	2,230,415
Meal Supplements	10.556	13392	231,575
Commodities	10.555	13396	852,477
Subtotal Child Nutrition Cluster			<u>9,557,133</u>
Subtotal - U.S. Department of Agriculture			<u>9,557,133</u>
Total Federal Programs			<u>\$ 31,167,904</u>
[1] Direct Award, PCA number not available			
[2] Does not include District in-kind contributions of \$1,879,720 to meet Federal match requirements. Contributions by program are as follows:			
Head Start: Basic	93.600	10016	\$ 1,734,168
Head Start: Training and Technical Assistance (T&TA)	93.600	10016	5,865
Head Start: Early Basic	93.600	10016	139,687
Total In-kind Contributions			<u>\$ 1,879,720</u>

See accompanying note to supplementary information.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2017

ORGANIZATION

The Norwalk-La Mirada Unified School District was established on July 1, 1965. The District conducts a kindergarten through twelfth grade educational program for approximately 21,000 students through 17 elementary schools, six middle schools, three high schools, a continuation high school, and two adult education schools. The District is located in Los Angeles County, and occupies the cities of Norwalk and La Mirada, in addition to smaller portions of the cities of Santa Fe Springs, Whittier, and unincorporated areas of Los Angeles County.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Sean Reagan	President	2018
Chris Pflanzner	Vice President	2019
Darryl Adams	Member	2018
Jude Cazares	Member	2018
Karen Morrison	Member	2019
Jesse Urquidi	Member	2019
Ana Valencia	Member	2017

ADMINISTRATION

Hasmik Danielian	Superintendent
John Lopez	Assistant Superintendent, Human Resources
Estuardo Santillan	Assistant Superintendent, Business Services
Albert Clegg	Assistant Superintendent, Curriculum and Instruction

See accompanying note to supplementary information.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2017

	Final Report	
	Second Period	Annual
	Report 1F5FB0CB	Report 88DB8039
Regular ADA		
Transitional kindergarten through third	5,259.79	5,261.31
Fourth through sixth	4,048.41	4,047.18
Seventh and eighth	2,859.40	2,858.24
Ninth through twelfth	5,377.08	5,330.08
Total Regular ADA	17,544.68	17,496.81
Extended Year Special Education		
Transitional kindergarten through third	6.34	6.34
Fourth through sixth	4.91	4.91
Seventh and eighth	4.54	4.54
Ninth through twelfth	11.06	11.06
Total Extended Year Special Education	26.85	26.85
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	3.01	3.59
Fourth through sixth	3.82	4.48
Seventh and eighth	2.77	2.57
Ninth through twelfth	7.50	7.97
Total Special Education, Nonpublic, Nonsectarian Schools	17.10	18.61
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.19	0.19
Fourth through sixth	0.52	0.52
Seventh and eighth	0.10	0.10
Ninth through twelfth	1.09	1.09
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	1.90	1.90
Total ADA	17,590.53	17,544.17

See accompanying note to supplementary information.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

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

Grade Level	1986-87 Minutes Requirement	2016-17 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	58,044	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		54,804	180	N/A	Complied
Grade 2		54,804	180	N/A	Complied
Grade 3		54,804	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,804	180	N/A	Complied
Grade 5		54,804	180	N/A	Complied
Grade 6		56,280	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		56,280	180	N/A	Complied
Grade 8		56,280	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,695	180	N/A	Complied
Grade 10		65,695	180	N/A	Complied
Grade 11		65,695	180	N/A	Complied
Grade 12		65,695	180	N/A	Complied

See accompanying note to supplementary information.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

See accompanying note to supplementary information.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

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

	(Budget) 2018 ¹	2017	2016	2015
GENERAL FUND ⁴				
Revenues	\$ 206,754,985	\$ 214,842,217	\$ 215,315,029	\$ 183,156,957
Other sources	823,056	805,493	830,156	933,498
Total Revenues and Other Sources	207,578,041	215,647,710	216,145,185	184,090,455
Expenditures	215,806,020	215,922,194	197,694,715	179,901,929
Other uses and transfers out	1,648,203	1,157,776	973,343	5,489,081
Total Expenditures and Other Uses	217,454,223	217,079,970	198,668,058	185,391,010
INCREASE (DECREASE) IN FUND BALANCE	\$ (9,876,182)	\$ (1,432,260)	\$ 17,477,127	\$ (1,300,555)
ENDING FUND BALANCE	\$ 30,797,285	\$ 40,673,467	\$ 42,105,727	\$ 24,628,600
AVAILABLE RESERVES ²	\$ 30,073,005	\$ 36,005,301	\$ 37,739,600	\$ 23,912,063
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	13.83%	16.59%	19.00%	13.23%
LONG-TERM OBLIGATIONS	N/A	\$257,552,143	\$260,517,181	\$230,394,124
K-12 AVERAGE DAILY ATTENDANCE AT P-2 ⁴	17,357	17,591	17,827	18,197

The General Fund balance has increased by \$16,044,867 over the past two years. The fiscal year 2017-2018 budget projects a decrease of \$9,876,182 (24.3 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 and anticipates incurring an operating deficit during the 2017-2018 fiscal year. Total long-term obligations have increased by \$27,158,019 over the past two years.

Average daily attendance has decreased by 606 over the past two years. An additional decline of 234 ADA is anticipated during fiscal year 2017-2018.

¹ Budget 2018 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 \$4,669,939 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2015.

⁴ General Fund amounts do not include activity related to the consolidation of the Fund 20, Special Reserve Fund for Other Postemployment Benefitas required by GASB Statement No. 54.

See accompanying note to supplementary information.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET JUNE 30, 2017

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS				
Deposits and investments	\$ 1,699,198	\$ -	\$ 5,555,402	\$ 341,424
Receivables	182,281	977,891	1,255,996	627
Prepaid expenses	-	470	-	-
Stores inventories	-	-	196,738	-
Total Assets	\$ 1,881,479	\$ 978,361	\$ 7,008,136	\$ 342,051
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 100,262	\$ 413,509	\$ 175,971	\$ 12,389
Due to other funds	-	392,380	-	-
Unearned revenue	-	12,971	-	-
Total Liabilities	100,262	818,860	175,971	12,389
Fund Balances:				
Nonspendable	-	470	196,738	-
Restricted	1,781,217	159,031	6,635,427	-
Committed	-	-	-	329,662
Total Fund Balances	1,781,217	159,501	6,832,165	329,662
Total Liabilities and Fund Balances	\$ 1,881,479	\$ 978,361	\$ 7,008,136	\$ 342,051

See accompanying note to supplementary information.

Building Fund	Capital Facilities Fund	Total Non-Major Governmental Funds
\$ 10,491,364	\$ 1,103,655	\$ 19,191,043
75,920	11,917	2,504,632
-	-	470
-	-	196,738
<u>\$ 10,567,284</u>	<u>\$ 1,115,572</u>	<u>\$ 21,892,883</u>
\$ 820,365	\$ 24,318	\$ 1,546,814
-	-	392,380
-	-	12,971
<u>820,365</u>	<u>24,318</u>	<u>1,952,165</u>
-	-	197,208
9,746,919	1,091,254	19,413,848
-	-	329,662
<u>9,746,919</u>	<u>1,091,254</u>	<u>19,940,718</u>
<u>\$ 10,567,284</u>	<u>\$ 1,115,572</u>	<u>\$ 21,892,883</u>

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

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

	Adult Education Fund	Child Development Fund	Cafeteria Fund
REVENUES			
Federal sources	\$ 486,640	\$ 9,076,108	\$ 9,557,133
Other State sources	3,993,132	1,706,548	677,277
Other local sources	69,781	642,432	1,653,403
Total Revenues	4,549,553	11,425,088	11,887,813
EXPENDITURES			
Current			
Instruction	1,682,067	6,935,374	-
Instruction-related activities:			
Supervision of instruction	12,906	1,329,800	-
Instructional library, media, and technology	6,907	-	-
School site administration	1,592,176	1,469,963	-
Pupil services:			
Food services	-	-	10,823,687
All other pupil services	165,326	288,512	-
Administration:			
All other administration	-	71,706	487,027
Plant services	401,904	689,143	81,687
Facility acquisition and construction	81,315	223,232	605,297
Enterprise services	-	385,323	-
Debt service			
Principal	-	21,000	-
Total Expenditures	3,942,601	11,414,053	11,997,698
Excess (Deficiency) of Revenues Over Expenditures	606,952	11,035	(109,885)
Other Financing Sources			
Transfers in	-	-	-
NET CHANGE IN FUND BALANCES	606,952	11,035	(109,885)
Fund Balances - Beginning	1,174,265	148,466	6,942,050
Fund Balances - Ending	\$ 1,781,217	\$ 159,501	\$ 6,832,165

See accompanying note to supplementary information.

Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 19,119,881
-	-	-	6,376,957
1,538	195,888	655,053	3,218,095
1,538	195,888	655,053	28,714,933
-	-	-	8,617,441
-	-	-	1,342,706
-	-	-	6,907
-	-	-	3,062,139
-	-	-	10,823,687
-	-	-	453,838
-	-	19,367	578,100
27,445	396,732	189,817	1,786,728
103,434	10,545,774	20,337	11,579,389
-	-	-	385,323
-	-	-	21,000
130,879	10,942,506	229,521	38,657,258
(129,341)	(10,746,618)	425,532	(9,942,325)
299,043	-	-	299,043
169,702	(10,746,618)	425,532	(9,643,282)
159,960	20,493,537	665,722	29,584,000
\$ 329,662	\$ 9,746,919	\$ 1,091,254	\$ 19,940,718

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of State Personnel Development Grant funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances:		
State Personnel Development Grant	84.323A	\$ 31,162,925 4,979
Total Schedule of Expenditures of Federal Awards		<u>\$ 31,167,904</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 1986-1987 requirements, as required by *Education Code* Section 46201.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

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.

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

INDEPENDENT AUDITOR'S REPORTS



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

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

Governing Board
Norwalk-La Mirada Unified School District
Norwalk, 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 Norwalk-La Mirada Unified School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Norwalk-La Mirada Unified School District's basic financial statements, and have issued our report thereon dated December 11, 2017.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 Norwalk-La Mirada Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Norwalk-La Mirada Unified School District in a separate letter dated December 11, 2017.

Purpose of This Report

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

VAUGHN, TRINE, DAY & CO. LLP

Rancho Cucamonga, California
December 11, 2017



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

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

Governing Board
Norwalk-La Mirada Unified School District
Norwalk, California

Report on Compliance for Each Major Federal Program

We have audited Norwalk-La Mirada Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Norwalk-La Mirada Unified School District's major Federal programs for the year ended June 30, 2017. Norwalk-La Mirada Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Norwalk-La Mirada Unified School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Norwalk-La Mirada Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Norwalk-La Mirada Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

VANZINE, TRINE. MY + CO. LLP

Rancho Cucamonga, California
December 11, 2017



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

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Norwalk-La Mirada Unified School District
Norwalk, California

Report on State Compliance

We have audited Norwalk-La Mirada Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Norwalk-La Mirada Unified School District's State government programs as noted below for the year ended June 30, 2017.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Norwalk-La Mirada Unified 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 *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Norwalk-La Mirada Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Norwalk-La Mirada Unified School District's compliance with those requirements.

Basis for Qualified Opinion on the After School Education and Safety Program

As described in the accompanying schedule of findings and questioned costs, Norwalk-La Mirada Unified School District did not comply with requirements regarding the After School Education and Safety Program; finding 2017-001. Compliance with such requirements is necessary, in our opinion, for Norwalk-La Mirada Unified School District to comply with the requirements applicable to that program.

Qualified Opinion on the After School Education and Safety Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Norwalk-La Mirada Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2017.

Unmodified Opinion on Each of the Other Programs

In our opinion, Norwalk-La Mirada Unified 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, 2017, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

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

	Procedures Performed
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

The District does offer an Independent Study Program; however, the ADA was below the materiality threshold as indicated in the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*; therefore, we did not perform any procedures related to the Independent Study Program.

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

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

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

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

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

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

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

VAUGHN, TRINE. Amy + Co. LLP

Rancho Cucamonga, California
December 11, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

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

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major Federal programs:

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

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 935,037</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

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

<u>Name of Programs</u>
<u>After School Education and Safety Program</u>

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

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

None reported.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

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

The following findings represent instances of noncompliance relating to State program laws and regulations. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
40000	State Compliance

2017-001 40000

Criteria or Specific Requirements

California *Education Code* Section 8483(a)(1) states that every after school component of a program established pursuant to this article shall commence immediately upon the conclusion of the regular school day, and operate a minimum of 15 hours per week, and at least until 6 p.m. on every regular school day. Every after school component of the program shall establish a policy regarding reasonable early daily release of pupils from the program

Condition

The District has gathered monthly summaries of student attendance for submission to the State in order to meet the semi-annual reporting requirement. However, in reviewing Corvallis Middle School's monthly summary total for the month of November 2016 and in comparing the total to the site's attendance rosters, it was noted that the monthly summary totals differ significantly. Corvallis Middle School's attendance rosters had a total of 1,732 students served whereas the total of the monthly summary are 1,800 students served, resulting in 68 exceptions. Exceptions consisted of 68 students who were released before 6PM on a daily basis but had no early release form on file.

Questioned Costs

Under the provisions of the program, there are no questioned costs associated with this condition. However, there were 68 of 1,800 students served during the month of November 2016 for which the attendance rosters did not confirm to the District's early release policy.

Context

The condition identified resulted from our review of Corvallis Middle School's attendance records and monthly attendance summary totals for the month of November 2016. The auditor selected two of 15 schools for the first semi-annual reporting period dated July to December 2016. The auditor also noted that for the month of November 2016, Corvallis Middle School did not have early release forms for students that were being released before 6PM on a daily basis.

Effect

As a result of the conditions identified, the District was not compliant with *Education Code* Section 8483(a)(1) for the 2016-2017 fiscal year for Corvallis Middle School because the report submitted to the State reflects inaccurate attendance information.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

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

Cause

It appears that the condition identified has materialized as a result of the site utilizing the number of students attended for a particular day rather than recounting the rosters to ensure the site deduct those students who are not in compliance with the established early release policy. The site did not have early release reason documented on the rosters for those students who were consistently released early from the ASES program.

Recommendation

The District should inform the site regarding their early release policy including the importance of having an early release reason documented on the rosters for students who are continually released early. Also prior to submission of attendance information to the State, the District should ensure the monthly summaries agree to the attendance summaries. An individual from the District should review and re-compute monthly attendance numbers per school site in order to verify that accurate information is being sent to the State for reporting.

Corrective Action Plan

- The District has purchased an online Attendance Monitoring Program (EZ Reports) for the ASES program to use
 - This will help monitor daily and monthly attendance to ensure accurate attendance.
- For the 2017-2018 school year, the ASES Program (Elementary) will use the Daily Student Sign-in and out sheets.
 - This will allow for more space so that staff and parents can write in clear times and signatures.
 - This will allow for daily review of sign out times and Early Release logs.
- The ASES supervisors will review with all Expanded Learning site leaders and tutors, the importance of completing documentations, specifically the Early Release forms, for students who are released early.
- The ASES supervisors will review and re-compute all monthly student attendance documents to verify attendance numbers are accurate.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

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

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 financial statement findings.

State Awards Findings

2016-001 40000

Criteria or Specific Requirements

According to the *California Education Code Section 8483(a)(1)* states that every after school component of a program established pursuant to this article shall commence immediately upon the conclusion of the regular school day, and operate a minimum of 15 hours per week, and at least until 6 p.m. on every regular school day. Every after school component of the program shall establish a policy regarding reasonable early daily release of pupils from the program.

Condition

The District has gathered monthly summaries of student attendance for submission to the State in order to meet the semi-annual reporting requirement. However, in reviewing Julia B. Morrison Elementary School's monthly summary total for the month of October 2015 and in comparing the total to the site's attendance rosters, it was noted that the monthly summary totals differ significantly. Julia B. Morrison Elementary School's attendance rosters had a total of 1,372 students served whereas the total of the monthly summary are 1,456 students served, resulting in 84 exceptions. Exceptions consisted of 84 students who were released before 6PM on a daily basis but had no early release form on file. In addition, in reviewing Los Alisos Middle School's monthly summary total for the month of October 2015 and in comparing the total to the site's attendance rosters, it was noted that the monthly summary totals differ significantly. Los Alisos Middle School's attendance rosters had a total of 1,139 students served whereas the total of the monthly summary are 1,170 students served, resulting in 31 exceptions. Exceptions consisted of 31 students who were released before 6PM on a daily basis but had no early release form on file.

Questioned Costs

Under the provisions of the program, there are no questioned costs associated with this condition. However, for two of the sites tested, there were 115 of 3,626 students served during the month of October 2015 for which the attendance rosters did not confirm to the District's early release policy.

Context

The condition identified resulted from our review of Julia B. Morrison Elementary School's and Los Alisos Middle School's attendance records and monthly attendance summary totals for the month of October 2015. Auditor selected two of 15 schools for the first semi-annual reporting period dated July to December 2015. Auditor also noted that for the month of October 2015, Julia B. Morrison Elementary School and Los Alisos Middle School did not have early release forms for students that were being released before 6PM on a daily basis.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

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

Effect

As a result of the conditions identified, the District was not compliant with *Education Code* Section 8483(a)(1) for the 2015-2016 fiscal year for Julia B. Morrison Elementary School and Los Alisos Middle School because the report submitted to the State reflects inaccurate attendance information.

Cause

It appears that the condition identified has materialized as a result of the site utilizing the number of students attended for a particular day rather than recounting the rosters to ensure the sites deduct those students who are not in compliance with the established early release policy. The sites did not have early release reason documented on the rosters for those students who were consistently released early from the ASES program.

Recommendation

The District should inform the sites regarding their early release policy including the importance of having an early release reason documented on the rosters for students who are continually released early. Also prior to submission of attendance information to the State, the District should ensure the monthly summaries agree to the attendance summaries. An individual from the District should review and re-compute monthly attendance numbers per school site in order to verify that accurate information is being sent to the State for reporting.

Current Status

Repeated, see current year finding 2017-001.



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

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Governing Board
Norwalk-La Mirada Unified School District
Norwalk, California

In planning and performing our audit of the financial statements of Norwalk-La Mirada Unified School District (the District), for the year ended June 30, 2017, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 11, 2017 on the government-wide financial statements of the District.

INTERNAL CONTROLS

Non-Payroll Disbursements

Observation

Twenty-four of 40 travel and conference disbursements were not preapproved. This could potentially lead to expenditures of questionable nature if disbursements are not pre-approved.

Recommendation

The District should take the necessary steps to ensure that all conference related expenditures are supported by an authorized conference request and reimbursement form that is pre-approved. This would allow the reviewing administrator to determine if the proposed conference related activities are appropriate for the funding source.

ASSOCIATED STUDENT BODY (ASB)

Corvallis Middle School

Observation

Based on the review of the cash receipting procedures, it was noted that 34 of 45 receipts tested were not deposited in a timely manner. The delay in deposit ranged from approximately 13 to 43 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.

Recommendation

The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.

Corvallis Middle School

Observations

During our review of the associated study body procedures, the following issues were noted:

1. Three of seven deposits tested were not deposited in a timely manner. The delay in deposit ranged from approximately 11 to 17 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. One of seven deposits tested contained a tally sheet, for a fundraising event, that was not footed correctly.
3. Two of nine disbursements tested were not approved prior to the transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
4. Two of nine transactions reviewed did not have receiving documentation or acknowledgement. As a result, vendor invoices were paid without the direct knowledge of whether or not the goods being ordered have been received by the ASB.
5. Two of two revenue potential forms tested were incomplete. The actual column was left blank. Therefore, the auditor was unable to trace the receipts and disbursements from the source documents to the activity report.

Recommendations

1. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. In order to ensure that deposits are made intact, the ASB should recount the cash and agree it to the supporting documents. The supporting documents, triplicate receipts or tally sheets, should agree to the funds being deposited and variances between the two should be explained.
3. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.

4. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.
5. Revenue potentials should be prepared to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the expected results section of the revenue potential, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future.

Norwalk Middle School

Observations

During our review of the associated study body procedures, the following issues were noted:

1. 35 of 40 deposits tested were not deposited in a timely manner. The delay in deposit ranged from approximately 11 to 17 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. Cash collections are not always supported by sub-receipts or logs consistently. The auditor was unable to verify the accuracy and timeliness of the deposits.
3. Cash collections aren't being counted in the presence of multiple personnel. The person counting the cash should have at least one person beside themselves.
4. Two of 25 disbursements tested were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
5. One of four fundraising events did not have a revenue potential completed to document and control fundraising activities as they occur.
6. Two of three revenue potential forms were incomplete; the actuals column was not properly filled out. One of three revenue potential forms tested did not provide an explanation for the difference between the estimated and the actual revenue.
7. One of two tickets sales recap forms tested was not footed correctly.
8. During our review of the test month's financial statements, it was noted that two trust accounts had a negative balance.

Recommendations

1. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the students name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies. Teachers and Administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a Request for Deposit should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
3. It is recommended that the ASB adhere to their established procedures related to cash count for ticketed event sales. Two individuals should be present when teachers/clubs deposit the money with the bookkeeper. The bookkeeper and the depositing party should both sign and date the ticket form for door and gate sales.
4. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
5. The revenue potential form is vital because it shows whether or not all the monies that should have been raised and turned in actually were based on the price of the item and amount sold. The form is also used to document overages and shortages or losses of merchandise. A secondary tool that the form accomplishes is to allow the bookkeeper to compare the advisor's log of the deposits made for the fundraiser to the financial records of the appropriate account to ensure that all entries were correctly posted. The site should ensure that these forms are completed and turned in to the bookkeeper at the conclusion of the fundraiser.
6. The revenue potential forms should be prepared to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the expected results section of the revenue potential, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future.
7. A ticket sales recap form serves the purpose of calculating, based on the number of tickets sold out of the roll and the price per ticket, the amount of cash that should have been collected. The recap should be footed correctly and reconciled to the cash deposit forwarded to the bookkeeper. This procedure documents overages and shortages of cash and informs site personnel about potential problems in cash collections. The forms should be filed along with the deposit form and other pertinent documents.

Governing Board
Norwalk La-Mirada Unified School District

8. The ASB has a fiduciary responsibility to all student body organizations to act in each group's best interest. By allowing certain clubs to spend in excess of their available reserves, the ASB is not meeting this responsibility to the other clubs and organizations. Clubs should not be allowed to spend in excess of their available cash. By allowing clubs to do so, they are in effect spending the resources of other clubs. The ASB should ensure that all clubs have sufficient funds available in their account prior to expenditures or transfers being made.

We will review the status of the current year comments during our next audit engagement.

VAUGHN, TRINE, RAY & CO. LLP

Rancho Cucamonga, California
December 11, 2017