NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 16, budgetary comparison schedule on page 81, schedule of changes in the District's total OPEB liability and related ratios on page 82 schedule of the District's proportionate share of the net OPEB liability - MPP program on page 83, schedule of the District's proportionate share of the net pension liability on page 84, and the schedule of District contributions on page 85, 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 non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2018, 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.

VAUZNEK, TRUE, DAY + CO. LLP

Rancho Cucamonga, California
December 17, 2018

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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, 2018, with comparative information for the year ending June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District 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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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.

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.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $(17,302,716) for the fiscal year ended June 30, 2018. Of this amount, $(227,113,892) 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	
	2018	2017, as restated	2018	2017, as restated	2018	2017, as restated
ASSETS						
Current and other assets	$ 195,434,242	$ 142,778,622	$ 550,278	$ 426,863	$ 195,984,520	$ 143,205,485
Capital assets	310,233,392	291,517,355	-	-	310,233,392	291,517,355
Total Assets	**505,667,634**	**434,295,977**	**550,278**	**426,863**	**506,217,912**	**434,722,840**
Deferred Outflows of Resources	**75,441,751**	**44,680,609**	**173,674**	**142,518**	**75,615,425**	**44,823,127**
LIABILITIES						
Current liabilities	29,325,405	22,863,847	54,842	50,050	29,380,247	22,913,897
Long-term obligations	315,433,569	252,337,689	84,366	74,750	315,517,935	252,412,439
Aggregate net pension liability	243,441,209	205,042,598	528,960	449,702	243,970,169	205,492,300
Total Liabilities	**588,200,183**	**480,244,134**	**668,168**	**574,502**	**588,868,351**	**480,818,636**
Deferred Inflows of Resources	**10,211,918**	**8,320,453**	**50,569**	**22,112**	**10,262,487**	**8,342,565**
NET POSITION						
Net investment in capital assets	161,913,786	156,293,584	-	-	161,913,786	156,293,584
Restricted	47,897,390	40,344,558	-	-	47,897,390	40,344,558
Unrestricted (deficit)	(227,113,892)	(206,226,143)	5,215	(27,233)	(227,108,677)	(206,253,376)
Total Net Position (deficit)	**$ (17,302,716)**	**$ (9,588,001)**	**$ 5,215**	**$ (27,233)**	**$ (17,297,501)**	**$ (9,615,234)**

The $(227,113,892) 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 – increased by $20,855,301 ($(227,108,677) compared to $(206,253,376)).

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 18. 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	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	$ 1,620,109	$ 1,569,310	$ 942,262	$ 957,134	$ 2,562,371	$ 2,526,444
Operating grants and contributions	50,597,635	50,002,838	-	-	50,597,635	50,002,838
General revenues:						
Federal and State aid not restricted	145,230,557	147,466,324	-	-	145,230,557	147,466,324
Property taxes	52,930,468	47,221,594	-	-	52,930,468	47,221,594
Other general revenues	20,100,936	12,795,932	8,449	4,502	20,109,385	12,800,434
Total Revenues	**270,479,705**	**259,055,998**	**950,711**	**961,636**	**271,430,416**	**260,017,634**
Expenses						
Instruction-related	180,056,419	176,034,072	-	-	180,056,419	176,034,072
Pupil services	31,866,401	30,125,654	-	-	31,866,401	30,125,654
Administration	12,016,984	12,498,228	-	-	12,016,984	12,498,228
Plant services	30,440,305	24,698,805	-	-	30,440,305	24,698,805
All other services	23,894,311	22,953,890	838,263	706,791	24,732,574	23,660,681
Total Expenses	**278,274,420**	**266,310,649**	**838,263**	**706,791**	**279,112,683**	**267,017,440**
Transfers	80,000	80,000	(80,000)	(80,000)	-	-
Change in Net Position	**$ (7,714,715)**	**$ (7,174,651)**	**$ 32,448**	**$ 174,845**	**$ (7,682,267)**	**$ (6,999,806)**

Governmental Activities

As reported in the *Statement of Activities* on page 18, the cost of all of our governmental activities this year was $278,274,420, an increase of $11,963,771 or 4.5 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 19.0 percent of overall expenditures and the vast majority of expenditures were paid by those who benefited from the programs ($1,620,109) or by other governments and organizations who subsidized certain programs with grants and contributions ($50,597,635). We paid for the remaining "public benefit" portion of our governmental activities with $165,331,493 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, administration, plant services, and all other services. 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	
	2018	2017	2018	2017
Instruction-related	$ 180,056,419	$ 176,034,072	$ 143,492,642	$ 139,890,668
Pupil services	31,866,401	30,125,654	18,895,689	17,441,300
Administration	12,016,984	12,498,228	10,546,522	11,196,938
Plant services	30,440,305	24,698,805	29,624,082	23,655,089
All other services	23,894,311	22,953,890	23,497,741	22,554,506
Total	**$ 278,274,420**	**$ 266,310,649**	**$ 226,056,676**	**$ 214,738,501**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $141,132,078, which is an increase of $46,635,270 from last year. An itemized chart is provided below labeled as Table 4.

Table 4

	Balances and Activity			
	July 1, 2017	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2018
General Fund	$ 46,563,760	$ 217,009,300	$ 220,658,471	$ 42,914,589
Building Fund	9,746,919	70,143,324	23,756,942	56,133,301
Bond Interest and Redemption Fund	16,683,657	24,551,703	19,545,112	21,690,248
Adult Education Fund	1,781,217	4,980,937	4,437,497	2,324,657
Child Development Fund	159,501	13,476,515	13,545,827	90,189
Cafeteria Fund	6,832,165	11,520,664	12,125,948	6,226,881
Deferred Maintenance Fund	329,662	799,909	685,218	444,353
Capital Facilities Fund	1,091,254	175,352	887,992	378,614
Special Reserve Fund for Capital Outlay Projects	11,308,673	3,456,018	3,835,445	10,929,246
Total	**$ 94,496,808**	**$ 346,113,722**	**$ 299,478,452**	**$ 141,132,078**

The primary reasons for these increases are:

- The Building Fund increased $46.4 million from $9.7 million to $56.1 million, due to the sale of Series B and C general obligation bonds from Measure G to continue the construction and modernization projects in Phase 1A and begin planning of Phase 1B projects.
- 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 $46.6 million to $42.9 million or $(3.65) million for both unrestricted and restricted sources.
    - The unrestricted General Fund decreased $1.08 million, as a result of negotiations between both employee associations for an on-going 1.56 percent salary increase, higher pension contributions, and increases in expenditures for Local Control Accountability Plan services; which were offset by one-time state funds of $147/ADA.
    - The restricted General Fund decreased by $2.57 million due to the use of one-time grants received from the state, which provide funds to support specific legislation; such as, the Clean Energy Jobs Grant ($1.65 million), Educator Effectiveness Grant ($0.68 million) and College Readiness Block Grant ($0.41 million).
- The Bond Interest and Redemption Fund is used for the repayment of bonds issued under Measure S and Measure G, and was increased by $5.01 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 7, 2018. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on Page 81, and a summary of the major budgetary changes are provided below.)

- Budgetary revenue changes were $10.39 million higher than original anticipated, inclusive of transfers in; and expenditures were higher by $5.09 million, inclusive of transfers out, from the Adopted Budget. In total, final budgetary revisions for the 2017-2018 fiscal year projected a decrease in the estimated fund balance of $4.58 million; and final actuals were $3.65 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 0.15 percent or $0.27 million.
    - Budgeted Federal revenues decreased 2.22 percent or $0.27 million. Significant changes included spending down Title I, and II program carryovers of $0.96 million, and $0.70 million received for one-time E-rate reimbursements.

- State revenues were revised from $19.63 million to $29.54 million, an increase of $9.91 million, primarily due to the inclusion of the STRS On-Behalf payment of $8.18 million per GASB regulations. Additional significant program changes are as follows:
  - One-time Discretionary funding of $2.59 million or $149/ADA.
  - California Clean Energy Jobs grant funding of $1.18 million to further implement the district's approved five-year plan to improve energy efficiency district-wide.
  - Career Technical Education Equipment and Supplies grant funding was lowered by $2.16 for deferred projects occurring in 2018-19.
- Local revenue revisions were $0.44 million, increasing the original budget figures from $1.58 million to $2.02 million at final for the following:
  - Interest income from the County Treasurer of $0.14 million due to higher rates
  - Donations made to various K-8 schools increased by $0.12 million
  - New grant funding from the Los Angeles Universal Preschool of $0.16 million

Noteworthy budget revisions to expenditures are outlined below:

- Certificated and Classified salaries and benefits were $5.87 million higher than the Adopted Budget primarily due to increases to cover a negotiated cost-of-living increase of 1.56 percent, effective July 1, 2017, increases in the STRS and PERS benefit rates, and new positions and vacancies being filled.
- Books and supply budgets were $0.10 million lower, or 1.03 percent from the original budget of $9.79 million due to site Lottery fund carryovers.
- Services and operating expenditures and capital outlay budgets were revised from $21.22 million to $20.48 million or -3.5 percent, and reflects decreases from various restricted program funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had $310,233,392 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 $18,716,037, or 6.4 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2018	2017
Land and construction in progress	$ 43,646,848	$ 22,799,033
Buildings and improvements	260,319,081	262,182,163
Furniture and equipment	6,267,463	6,536,159
Total	**$ 310,233,392**	**$ 291,517,355**

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 increases to capital assets included the land improvement projects at Benton and Corvallis Middle schools for new fields, track surfaces, landscaping and various other upgrades.

Long-Term Obligations

At the end of this year, the District had $315,517,935 in long-term obligations outstanding versus $252,412,439 last year, an increase of 25.0 percent. Those obligations consisted of:

Table 6

	Governmental Activities		Business-Type Activities		Total	
	2018	2017, as restated	2018	2017, as restated	2018	2017, as restated
General obligation bonds - net (financed with property taxes)	$ 272,301,536	$ 205,078,995	$ -	$ -	$ 272,301,536	$ 205,078,995
Certificates of participation	2,770,165	2,770,165	-	-	2,770,165	2,770,165
Capital lease	126,000	170,660	-	-	126,000	170,660
Compensated absences	2,852,883	2,669,413	-	-	2,852,883	2,669,413
Claims liability	11,152,961	17,343,000	-	-	11,152,961	17,343,000
SELF workers' compensation assessment	222,353	267,397	-	-	222,353	267,397
Net other postemployment benefits (OPEB) liability	26,007,671	24,038,059	84,366	74,750	26,092,037	24,112,809
Total	**$ 315,433,569**	**$ 252,337,689**	**$ 84,366**	**$ 74,750**	**$ 315,517,935**	**$ 252,412,439**

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 issued Series B and Series C, totaling $59 million and $10.25 million respectively.

Other long-term obligations are inclusive of compensated absences payable, workers' compensation claims liability and assessment, and postemployment health benefits. Claim liabilities were lower due to updated actuaries for workers' compensation. 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 $243,441,209 in the governmental activities and $528,960 in the business-type activities versus $205,042,598 and $449,702 in the previous year. This represents increases of $38,398,611, or 18.7 percent, and $79,258, or 17.6 percent, for the governmental activities and business-type activities, respectively.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2018-2019 year, the governing board and management used the following criteria:

The District's projected budgeted income for the total General Fund is $228.73 million. Unrestricted totals are $163.18 million or 71.3 percent of all General Fund revenues, and restricted revenues are budgeted at $65.55 million or 28.7 percent of total revenues. The key assumptions in our revenue forecast are:

1. LCFF revenue sources are budgeted at $10,547/ADA, an increase of $692 per ADA from 2017-2018 estimated funding levels. LCFF funding includes a 3.00 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 17,122 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 2018-2019 are based using 2017-2018 generated ADA.
    a. LCFF income is projected at $181.21 million (inclusive of EPA funding and property taxes), representing 79.2 percent of all revenue sources. This represents an increase over prior year estimated actuals. The increase is a result of Governor's Proposal to fully fund LCFF in 2018-2019, two year earlier than originally planned, resulting in an estimated "Gap" funding of 100 percent, or $11.3 million. LCFF COLA and GAP funding is partially offset by declining enrollment of an estimated 330 students, or roughly $3.8 million.
        i. Property tax revenues have been increasing in recent years due to stronger assessed valuations and the shift of community redevelopment property tax funds from cities to districts. Revenues are estimated $30.92 million, or 13.52 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 $20.46 million; and similar to property taxes, any changes in EPA funding is offset by a change in LCFF.
2. Federal income is budgeted at $10.58 million, a decrease of $1.13 million from the previous reported budget. The funding loss is mainly caused by the elimination of the 21st Century and Counseling Grants.
3. Income from State funding sources is budgeted at $34.42 million, an increase of $4.88 million or 16.54 percent from the District's final budget amounts. The increase was primarily due to state providing additional one-time discretionary funds of $344/ADA.
4. Local revenues are projected to be $1.65 million, or $0.37 million lower than prior year estimates from the loss of one-time site donations, LAUP funding, and Cotsen Foundation grants.
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 $0.86 million.

The District's total General Fund expenditures are budgeted at $226.57 million. Unrestricted expenditures are budgeted at $160.37 million and restricted expenditures are budgeted at $66.20 million. Salaries and benefits represent 85.8 percent of all expenditures and the remaining 14.2 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 $136.44 million. Staffing ratios approved in policy and employee contracts are included in the proposed budget and reflect the salaries of 678 classroom teachers, 47 certificated site administrators, 36 counselors, 38 other certificated staff, 41 certificated and classified management staff, 8 confidential employees and 537 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	25:1	5,081
Grades four through five	31:1	2,480
Grades six through eight	30:1	4,041
Grades nine through twelve	28.8:1	5,255

Salary projections include the following:

a. Negotiations for the 2017-2018 were settled with both bargaining associations and the cost of the 1.56 percent cost-of-living increases are budgeted; however, 2018-2019 negotiations remain unsettled and are ongoing.

- 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 $2.2 million for funding realignments, $0.35 million for program shifts, and $0.95 million for new programs to support English-language learners, low socio-economic students, and foster youth.

b. Step, scale, and longevity increases estimated at $1.0 million, which has been adjusted for attrition.

2. Employee benefits are budgeted at $57.91 million, and include statutory benefits for all positions as follows: (STRS 16.28 percent, PERS 18.062 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 0.016 percent.). STRS and PERS rates reflect increases from previous years which were 14.43 and 15.531 percent, respectively. The State has warned that future increases are scheduled to be phased-in over the next six years to eliminate the outstanding liabilities. These increased employer contributions for STRS and PERS are estimated to impact multi-year projections by over $3.68 million through 2020-2021.

a. The District also negotiates changes to the contribution for each active employee eligible for health and welfare benefits. The rate of $10,350 remains unchanged from the previous year and the District also contributes an additional $1.0 million annually to mitigate future medical premium increases. The District contribution to cover retiree's pay-as-you go portion, is estimated at $0.79 million.

3. $32.2 million of the total General Fund operating budget is allocated for books, supplies ($9.43 million), other operating expenses and services ($16.97 million), capital outlay ($2.33 million), and other outgo and uses ($3.48 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 2018-2019 District Budget. Total funding required to meet the proportionality percentage requirement is budgeted at $34.8 million, resulting in a minimum proportionality percentage 24.5 percent.

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, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	$ 184,393,749	$ 536,581	$ 184,930,330
Receivables	8,636,597	8,051	8,644,648
Prepaid expenses	2,065,767	5,646	2,071,413
Stores inventories	338,129	-	338,129
Capital assets			
Land and construction in process	43,646,848	-	43,646,848
Other capital assets	394,932,778	12,795	394,945,573
Less: accumulated depreciation	(128,346,234)	(12,795)	(128,359,029)
Total Capital Assets	310,233,392	-	310,233,392
Total Assets	505,667,634	550,278	506,217,912
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	644,035	-	644,035
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	754,026	2,504	756,530
Deferred outflows of resources related to pensions	74,043,690	171,170	74,214,860
Total Deferred Outflows of Resources	75,441,751	173,674	75,615,425
LIABILITIES			
Accounts payable	23,674,309	25,145	23,699,454
Accrued interest payable	1,679,088	-	1,679,088
Unearned revenue	3,972,008	29,697	4,001,705
Long-term obligations:			
Current portion of long-term obligations other than pensions	18,653,040	-	18,653,040
Noncurrent portion of long-term obligations other than pensions	296,780,529	84,366	296,864,895
Total Long-Term Obligations	315,433,569	84,366	315,517,935
Aggregate net pension liability	243,441,209	528,960	243,970,169
Total Liabilities	588,200,183	668,168	588,868,351
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	10,211,918	50,569	10,262,487
NET POSITION			
Net investment in capital assets	161,913,786	-	161,913,786
Restricted for:			
Debt service	22,298,360	-	22,298,360
Capital projects	378,614	-	378,614
Educational programs	1,467,728	-	1,467,728
Other activities	23,752,688	-	23,752,688
Unrestricted (deficit)	(227,113,892)	5,215	(227,108,677)
Total Net Position (deficit)	$ (17,302,716)	$ 5,215	$ (17,297,501)

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, 2018

		Program Revenues	
Functions/Programs	Expenses	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Instruction	$ 146,056,617	$ 78,154	$ 29,225,660
Instruction-related activities:			
Supervision of instruction	14,622,588	21,594	5,091,900
Instructional library, media, and technology	2,364,723	-	195,868
School site administration	17,012,491	17,494	1,933,107
Pupil services:			
Home-to-school transportation	6,174,303	-	140,497
Food services	11,439,643	1,394,422	8,555,555
All other pupil services	14,252,455	6,167	2,874,071
Administration:			
Data processing	3,028,439	-	-
All other administration	8,988,545	73,032	1,397,430
Plant services	30,440,305	29,246	786,977
Ancillary services	1,131,996	-	30,591
Enterprise services	399,837	-	3,778
Interest on long-term obligations	11,511,983	-	-
Other outgo	2,054,215	-	362,201
Depreciation (unallocated)[1]	8,796,280	-	-
Total Governmental Activities	278,274,420	1,620,109	50,597,635
Business-Type Activities			
Enterprise services	838,263	942,262	-
Total School District	$ 279,112,683	$ 2,562,371	$ 50,597,635
	General revenues and subventions:		
	Property taxes, levied for general purposes		
	Property taxes, levied for debt service		
	Taxes levied for other specific purposes		
	Federal and State aid not restricted to specific purposes		
	Interest and investment earnings		
	Miscellaneous		
	Subtotal, General Revenues		
	Transfers		
	Change in Net Position		
	Net Position - Beginning, as restated		
	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**
$ (116,752,803)	$ -	$ (116,752,803)
(9,509,094)	-	(9,509,094)
(2,168,855)	-	(2,168,855)
(15,061,890)	-	(15,061,890)
(6,033,806)	-	(6,033,806)
(1,489,666)	-	(1,489,666)
(11,372,217)	-	(11,372,217)
(3,028,439)	-	(3,028,439)
(7,518,083)	-	(7,518,083)
(29,624,082)	-	(29,624,082)
(1,101,405)	-	(1,101,405)
(396,059)	-	(396,059)
(11,511,983)	-	(11,511,983)
(1,692,014)	-	(1,692,014)
(8,796,280)	-	(8,796,280)
(226,056,676)	-	(226,056,676)
-	103,999	103,999
(226,056,676)	103,999	(225,952,677)
34,363,054	-	34,363,054
17,292,066	-	17,292,066
1,275,348	-	1,275,348
145,230,557	-	145,230,557
1,131,751	8,449	1,140,200
18,969,185	-	18,969,185
218,261,961	8,449	218,270,410
80,000	(80,000)	-
(7,714,715)	32,448	(7,682,267)
(9,588,001)	(27,233)	(9,615,234)
$ (17,302,716)	$ 5,215	$ (17,297,501)

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Deposits and investments	$ 51,008,627	$ 61,989,066	$ 21,690,248	$ 18,524,095	$ 153,212,036
Receivables	4,086,042	334,708	-	4,065,969	8,486,719
Due from other funds	481,000	-	-	-	481,000
Prepaid expenditures	142,293	-	-	287	142,580
Stores inventories	168,844	-	-	169,285	338,129
Total Assets	$ 55,886,806	$ 62,323,774	$ 21,690,248	$ 22,759,636	$ 162,660,464
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 9,006,737	$ 6,190,473	$ -	$ 1,878,168	$ 17,075,378
Due to other funds	-	-	-	481,000	481,000
Unearned revenue	3,965,480	-	-	6,528	3,972,008
Total Liabilities	12,972,217	6,190,473	-	2,365,696	21,528,386
Fund Balances:					
Nonspendable	436,137	-	-	169,572	605,709
Restricted	1,467,728	56,133,301	21,690,248	11,137,969	90,429,246
Committed	-	-	-	444,353	444,353
Assigned	6,199,121	-	-	8,642,046	14,841,167
Unassigned	34,811,603	-	-	-	34,811,603
Total Fund Balances	42,914,589	56,133,301	21,690,248	20,393,940	141,132,078
Total Liabilities and Fund Balances	$ 55,886,806	$ 62,323,774	$ 21,690,248	$ 22,759,636	$ 162,660,464

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, 2018

Total Fund Balance - Governmental Funds		**$ 141,132,078**
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:	$ 438,579,626	
Accumulated depreciation is:	(128,346,234)	
Net Capital Assets		310,233,392
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.		(1,679,088)
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.		15,280,533
Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities.		644,035
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	20,618,657	
Net change in proportionate share of net pension liability	5,403,303	
Differences between projected and actual earnings on pension plan investments	2,517,225	
Differences between expected and actual experience in the measurement of the total pension liability	3,237,685	
Changes of assumptions	42,266,820	
Total Deferred Outflows of Resources Related to Pensions		74,043,690
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	(1,878,652)	
Differences between projected and actual earnings on pension plan investments	(4,542,554)	
Differences between expected and actual experience in the measurement of the total pension liability	(2,974,884)	
Changes of assumptions	(815,828)	
Total Deferred Inflows of Resources Related to Pensions		(10,211,918)

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

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

Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of amounts paid by the District for OPEB as the benefits comes due subsequent to the measurement date.		$ 754,026
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(243,441,209)
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	$ (192,977,972)	
Unamortized premium on bond issuance	(9,222,805)	
2005 Certificates of Participation (QZAB program)	(2,770,165)	
Capital leases	(126,000)	
Compensated absences	(2,852,883)	
Net other postemployment benefits (OPEB) liability	(26,007,671)	
In addition, the District has issued "capital appreciation" General Obligation Bonds. The accretion of interest on the General Obligation Bonds to date is:	(70,100,759)	
Total Long-Term Obligations		(304,058,255)
Total Net Position - Governmental Activities		**$ (17,302,716)**

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, 2018

	General Fund	Building Fund	Bond Interest and Redemption Fund
REVENUES			
Local control funding formula	$ 173,519,803	$ -	$ -
Federal sources	11,092,584	-	-
Other State sources	29,508,959	-	148,738
Other local sources	2,807,954	893,324	17,359,588
Total Revenues	216,929,300	893,324	17,508,326
EXPENDITURES			
Current			
Instruction	132,321,364	-	-
Instruction-related activities:			
Supervision of instruction	12,824,557	-	-
Instructional library, media, and technology	2,256,452	-	-
School site administration	13,209,828	-	-
Pupil services:			
Home-to-school transportation	6,111,257	-	-
Food services	7,049	-	-
All other pupil services	13,266,007	-	-
Administration:			
Data processing	2,946,680	-	-
All other administration	8,082,690	-	-
Plant services	22,906,313	460,357	-
Ancillary services	1,123,893	-	-
Other outgo	1,293,521	704,684	-
Enterprise services	-	-	-
Facility acquisition and construction	3,084,832	22,591,901	-
Debt service			
Principal	23,660	-	15,085,000
Interest and other	1,325	-	2,890,096
Total Expenditures	219,459,428	23,756,942	17,975,096
Deficiency of Revenues Over Expenditures	(2,530,128)	(22,863,618)	(466,770)
Other Financing Sources (Uses)			
Transfers in	80,000	-	-
Other sources - proceeds from issuance of bonds	-	69,250,000	1,460,000
Other sources - premium from issuance of bonds	-	-	5,583,377
Transfers out	(1,199,043)	-	-
Other uses - payment to refunded bond escrow agent	-	-	(1,570,016)
Net Financing Sources (Uses)	(1,119,043)	69,250,000	5,473,361
NET CHANGE IN FUND BALANCES	(3,649,171)	46,386,382	5,006,591
Fund Balances - Beginning	46,563,760	9,746,919	16,683,657
Fund Balances - Ending	$ 42,914,589	$ 56,133,301	$ 21,690,248

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

Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 173,519,803
20,315,624	31,408,208
6,898,840	36,556,537
5,995,888	27,056,754
33,210,352	268,541,302
9,515,232	141,836,596
1,408,825	14,233,382
5,381	2,261,833
3,261,099	16,470,927
-	6,111,257
11,288,545	11,295,594
534,035	13,800,042
-	2,946,680
672,596	8,755,286
1,942,435	25,309,105
-	1,123,893
-	1,998,205
423,918	423,918
6,444,861	32,121,594
21,000	15,129,660
-	2,891,421
35,517,927	296,709,393
(2,307,575)	(28,168,091)
1,199,043	1,279,043
-	70,710,000
-	5,583,377
-	(1,199,043)
-	(1,570,016)
1,199,043	74,803,361
(1,108,532)	46,635,270
21,502,472	94,496,808
$ 20,393,940	$ 141,132,078

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, 2018

Total Net Change in Fund Balances - Governmental Funds		
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		**$ 46,635,270**
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 outlay exceed depreciation in the period.		
Capital outlay	$ 27,520,032	
Depreciation expense	(8,796,280)	
Net Expense Adjustment		18,723,752
Loss on disposal of capital assets is reported in the government-wide Statement of Net Assets, but is not recorded in the governmental funds.		(7,715)
In the Statement of Activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for this item is measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was more than the amounts used by $183,470.		(183,470)
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.		(10,034,430)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, and net OPEB liability during the year.		(1,215,586)
Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
Proceeds from general obligation bonds		(70,710,000)
Governmental funds report the effect of premiums and deferred charges on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.		
Deferred charges on refunding	54,006	
Premium on issuance	(5,583,377)	
Combined Adjustment		(5,529,371)

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

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, 2018

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	$ 16,545,000	
Capital lease obligations	44,660	
Combined Adjustment		$ 16,589,660
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	(302,536)	
Amortization of premium on issuance	834,766	
Combined Adjustment		532,230
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 increased by $843,862 and second, $8,308,930 of accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.		(9,152,792)
An Internal Service Fund is used by the District's management to charge the costs of workers' compensation coverage, liability and property coverage, and health benefits to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.		6,637,737
Change in Net Position of Governmental Activities		**$ (7,714,715)**

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, 2018

	Business-Type Activities Enterprise Fund Child Care Enterprise	Governmental Activities - Internal Service Fund
ASSETS		
Current Assets		
Deposits and investments	$ 536,581	$ 31,181,713
Receivables	8,051	149,878
Prepaid expenses	5,646	1,923,187
Total Current Assets	550,278	33,254,778
Noncurrent Assets		
Furniture and equipment	12,795	-
Less: accumulated depreciation	(12,795)	-
Total Capital Assets	-	-
Total Assets	550,278	33,254,778
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	2,504	-
Deferred outflows of resources related to pensions	171,170	-
Total Deferred Outflows of Resources	173,674	-
LIABILITIES		
Current Liabilities		
Accounts payable	25,145	6,598,931
Unearned revenue	29,697	-
Current portion of SELF assessment	-	45,044
Current portion of claims liability	-	2,626,996
Aggregate net pension liability	528,960	-
Total Current Liabilities	583,802	9,270,971
Noncurrent Liabilities		
Noncurrent portion of long-term obligations other than pensions	84,366	8,703,274
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	50,569	-
NET POSITION		
Restricted	-	15,280,533
Unrestricted	5,215	-
Total Net Position	$ 5,215	$ 15,280,533

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, 2018

	Business-Type Activities Enterprise Fund Child Care Enterprise	Governmental Activities - Internal Service Fund
OPERATING REVENUES		
Local and intermediate sources	$ 942,262	$ 31,617,515
OPERATING EXPENSES		
Payroll costs	728,490	214,321
Professional and contract services	24,387	25,141,717
Supplies and materials	85,386	37,564
Total Operating Expenses	838,263	25,393,602
Operating Income	103,999	6,223,913
NONOPERATING REVENUES		
Interest income	8,449	413,824
Income Before Transfers	112,448	6,637,737
Capital contributions		
Transfers out	(80,000)	-
Change in Net Position	32,448	6,637,737
Total Net Position - Beginning, as restated	(27,233)	8,642,796
Total Net Position - Ending	$ 5,215	$ 15,280,533

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, 2018

	Business-Type Activities Enterprise Fund	Governmental Activities - Internal Service Fund
	Child Care Enterprise	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	$ 937,652	$ -
Cash received from assessments made to other funds	-	31,699,972
Cash payments to employees for services	(642,315)	(214,321)
Cash payments to suppliers of goods or services	(79,488)	(31,095,236)
Other operating cash payments	(24,387)	(2,825)
Net Cash Provided by Operating Activities	191,462	387,590
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers out	(80,000)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	7,349	396,356
Net Increase in Cash and Cash Equivalents	118,811	783,946
Cash and Cash Equivalents - Beginning	417,770	30,397,767
Cash and Cash Equivalents - Ending	$ 536,581	$ 31,181,713
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 103,999	$ 6,223,913
Adjustments to reconcile operating income to net cash provided by operating activities		
Changes in assets and liabilities:		
Receivables	347	82,457
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	(2,504)	-
Deferred outflows of resources related to pensions	(28,652)	-
Prepaid expenses	(3,851)	(24,354)
Accounts payable	9,749	340,657
Unearned revenue	(4,957)	-
Deferred inflows of resources related to pensions	28,457	-
Claims liability and self workers' compensation assessment	-	(6,235,083)
Net other postemployment benefits (OPEB) liability	9,616	-
Net pension liability	79,258	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 191,462	$ 387,590

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, 2018

	Scholarship Trust	Agency Funds
ASSETS		
Deposits and investments	$ 1	$ 1,729,709
Receivables	840,736	-
Total Assets	840,737	$ 1,729,709
LIABILITIES		
Accounts payable	39,177	-
Due to student groups	-	733,863
Due to employees	-	995,846
Total Liabilities	39,177	$ 1,729,709
NET POSITION		
Restricted	$ 801,560	

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, 2018

	Scholarship Trust
ADDITIONS	
Other local sources	$ 840,736
Interest	45
Total Additions	840,781
DEDUCTIONS	
Other expenditures	54,935
Change in Net Position	785,846
Net Position - Beginning	15,714
Net Position - Ending	$ 801,560

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

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 of $5,910,816, a decrease in revenues and other financing sources of $664,225, and a decrease in expenditures and other financing uses of $684,748, as of June 30, 2018.

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.

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

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed 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 to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

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

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).

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.

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.

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.

Investments

Investments held at June 30, 2018, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county 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.

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.

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Fund Balances - Governmental Funds

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

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

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

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

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 $47,897,390 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.

Estimates

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

Property Tax

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

Change in Accounting Principles

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

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

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

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

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

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

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

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

New Accounting Pronouncements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	$	184,393,749
Business-type activities		536,581
Fiduciary funds		1,729,710
Total Deposits and Investments	$	186,660,040

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

Cash on hand and in banks	$	733,863
Cash in revolving		400,000
Investments		185,526,177
Total Deposits and Investments	$	186,660,040

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.

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

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

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	$ 183,238,977	609
First American Treasury Obligations Money Market Mutual Funds	1,542	19
Natixis Commercial Paper	2,285,658	12/31/2018
Total	$ 185,526,177	

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, 2018. The First American Treasury Obligations Money Market Mutual Fund has been rated Aaa-mf by Moody's rating services. The investment in Natixis Commercial Paper has been rated P-1 by Moody'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, 2018, 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.

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, 2018:

Investment Type	Reported Amount	Fair Value Measurements Using Level 2 Inputs	Uncategorized
Los Angeles County Investment Pool	$ 183,238,977	$ -	$ 183,238,977
First American Treasury Obligations Money Market Mutual Funds	1,542	1,542	-
Natixis Commercial Paper	2,285,658	2,285,658	-
Total	$ 185,526,177	$ 2,287,200	$ 183,238,977

NOTE 4 - RECEIVABLES

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

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government					
Categorical aid	$ 2,119,909	$ -	$ 3,364,869	$ -	$ 5,484,778
State Government					
Other Categorical aid	28,240	-	334,320	-	362,560
Special Education	309,941	-	-	-	309,941
Lottery	724,883	-	-	-	724,883
Local Government					
Interest	261,458	334,708	92,241	149,742	838,149
Other Local Sources	641,611	-	274,539	136	916,286
Total	$ 4,086,042	$ 334,708	$ 4,065,969	$ 149,878	$ 8,636,597

	Enterprise Fund	Fiduciary Funds
Federal Government		
Categorical aid	$ -	$ -
State Government		
Other Categorical aid	-	-
Special Education	-	-
Lottery	-	-
Local Government		
Interest	3,562	-
Other Local Sources	4,489	840,736
Total	$ 8,051	$ 840,736

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 9,278,310	$ -	$ -	$ 9,278,310
Construction in Progress	13,520,723	26,606,097	5,758,282	34,368,538
Total Capital Assets Not Being Depreciated	22,799,033	26,606,097	5,758,282	43,646,848
Capital Assets Being Depreciated:				
Land Improvements	10,500,498	1,711,589	-	12,212,087
Buildings and Improvements	355,858,279	3,816,208	8,121	359,666,366
Furniture and Equipment	21,909,905	1,144,420	-	23,054,325
Total Capital Assets Being Depreciated	388,268,682	6,672,217	8,121	394,932,778
Total Capital Assets	411,067,715	33,278,314	5,766,403	438,579,626
Less Accumulated Depreciation:				
Land Improvements	5,699,649	364,121	-	6,063,770
Buildings and Improvements	98,476,965	7,019,043	406	105,495,602
Furniture and Equipment	15,373,746	1,413,116	-	16,786,862
Total Accumulated Depreciation	119,550,360	8,796,280	406	128,346,234
Governmental Activities Capital Assets, Net	$ 291,517,355	$ 24,482,034	$ 5,765,997	$ 310,233,392
				-
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.

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, 2018, 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.	$ 481,000

Operating Transfers

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

	Transfer From		
Transfer To	General Fund	Enterprise Fund	Total
General Fund	$ -	$ 80,000	$ 80,000
Non-Major Governmental Funds	1,199,043	-	1,199,043
Total	$ 1,199,043	$ 80,000	$ 1,279,043

The General Fund transferred to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects for future capital equipment purchases.	$ 400,000
The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund for deferred maintenance projects.	799,043
The Child Care Enterprise Fund transferred to the General Fund as a result of excess earnings from the fee-based program.	80,000
Total	$ 1,279,043

NOTE 7 - ACCOUNTS PAYABLE

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

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund Fund	Total Governmental Activities
Salaries and benefits	$ 2,488,696	$ -	$ 234,310	$ 6,438,617	$ 9,161,623
LCFF apportionment	3,475,049	-	-	-	3,475,049
Supplies	373,852	113,592	234,012	-	721,456
Services	1,915,017	74,580	160,395	18,828	2,168,820
Construction	304,834	6,002,301	1,249,295	-	7,556,430
Other vendor payables	449,289	-	156	141,486	590,931
Total	$ 9,006,737	$ 6,190,473	$ 1,878,168	$ 6,598,931	$ 23,674,309

	Enterprise Fund	Fiduciary Funds
Salaries and benefits	$ 10,130	$ -
LCFF apportionment	-	-
Supplies	14,065	-
Services	934	7,579
Construction	-	-
Other vendor payables	16	31,598
Total	$ 25,145	$ 39,177

NOTE 8 - UNEARNED REVENUE

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities	Enterprise Fund
Federal financial assistance	$ 13,574	$ -	$ 13,574	$ -
State categorical aid	3,716,137	-	3,716,137	-
Other local	235,769	6,528	242,297	29,697
Total	$ 3,965,480	$ 6,528	$ 3,972,008	$ 29,697

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

Governmental Activities	Balance July 1, 2017, as restated	Additions	Deductions	Balance June 30, 2018	Due in One Year
General Obligation Bonds	$ 200,604,801	$ 79,018,930	$ 16,545,000	$ 263,078,731	$ 15,960,000
Premium on issuance	4,474,194	5,583,377	834,766	9,222,805	-
2005 Certificates of Participation (Qualified Academy Zone Bonds)	2,770,165	-	-	2,770,165	-
Capital lease	170,660	-	44,660	126,000	21,000
Compensated absences	2,669,413	183,470	-	2,852,883	-
Claims liability	17,343,000	(3,563,043)	2,626,996	11,152,961	2,626,996
SELF workers' compensation assessment	267,397	-	45,044	222,353	45,044
Net other postemployment benefits (OPEB) liability	24,038,059	2,805,571	835,959	26,007,671	-
Total	$ 252,337,689	$ 84,028,305	$ 20,932,425	$ 315,433,569	$ 18,653,040
Business-Type Activities					
Net other postemployment benefits (OPEB) liability	$ 74,750	$ 12,095	$ 2,479	$ 84,366	$ -

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 compensated absences 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. Net other postemployment benefits (OPEB) liabilities 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, 2017	Issued	Accreted	Redeemed	Bonds Outstanding June 30, 2018
04/20/05	08/01/29	3.00-5.31%	$ 44,995,644	$ 75,145,156	$ -	$ 3,845,771	$ 845,000	$ 78,145,927
11/27/07	08/01/32	3.50-5.22%	29,200,602	21,587,408	-	1,089,000	385,000	22,291,408
07/14/09	02/01/34	6.16-7.36%	9,410,103	16,556,589	-	1,207,677	-	17,764,266
07/14/09	08/01/21	1.28-4.68%	13,580,000	8,070,000	-	-	2,660,000	5,410,000
10/08/09	08/01/38	5.50-6.47%	21,392,349	33,590,648	-	2,166,482	-	35,757,130
01/30/13	08/01/19	2.00-4.00%	11,630,000	8,800,000	-	-	2,670,000	6,130,000
05/20/14	08/01/19	0.45-2.53%	15,115,000	11,245,000	-	-	3,485,000	7,760,000
11/19/15	08/01/45	2.00-5.00%	24,000,000	17,900,000	-	-	6,500,000	11,400,000
11/19/15	08/01/25	2.00-5.00%	7,855,000	7,710,000	-	-	-	7,710,000
08/03/17	08/01/47	3.00-5.00%	59,000,000	-	59,000,000	-	-	59,000,000
08/03/17	08/01/21	3.00-4.00%	1,460,000	-	1,460,000	-	-	1,460,000
06/07/18	08/01/47	3.00-5.00%	10,250,000	-	10,250,000	-	-	10,250,000
				$ 200,604,801	$ 70,710,000	$ 8,308,930	$ 16,545,000	$ 263,078,731

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, 2018, the principal balance outstanding of the 2002 General Obligation Bonds, Series 2005B was $78,145,927. Unamortized premium received on issuance of the bonds amounted to $295,912 as of June 30, 2018.

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, 2018, the principal balance outstanding of the 2002 General Obligation Bonds, Series 2007C was $22,291,408. Unamortized premium received on issuance of the bonds amounted to $375,103 as of June 30, 2018.

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, 2018, the principal balance outstanding of the 2002 General Obligation Bonds, Series 2009D was $17,764,266. Unamortized premium received on issuance of the bonds amounted to $281,084 as of June 30, 2018.

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, 2018, the principal balance outstanding on the 2009 General Obligation Refunding Bonds was $5,410,000. Unamortized premium received on issuance of the bonds amounted to $75,766 as of June 30, 2018.

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, 2018, the principal balance outstanding on the 2002 General Obligation Bonds, Series 2009E was $35,757,130. Unamortized premium received on issuance of the bonds amounted to $852,656 as of June 30, 2018.

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, 2018, the principal balance outstanding on the 2013 General Obligation Refunding Bonds, Series A was $6,130,000.

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, 2018, the principal balance outstanding on the 2014 General Obligation Refunding Bonds was $7,760,000.

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 were 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, 2018, the principal balance outstanding on the 2014 General Obligation Bonds, Series A was $11,400,000. Unamortized premium received on issuance of the bonds amounted to $939,952 as of June 30, 2018.

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, 2018, 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 $1,037,217 as of June 30, 2018.

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 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, 2018, the principal balance outstanding on the 2014 General Obligation Bonds, Series B was $59,000,000. Unamortized premium received on issuance of the bonds amounted to $4,332,489 as of June 30, 2018.

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 4.00 percent. The net proceeds from the issuance were used to advance refund a portion of the District's outstanding 2009 General Obligation Refunding Bonds and to pay the costs of issuing the refunding bonds. The refunding resulted in a cumulative cash flow savings of $56,772 over the life of the new debt and an economic gain of $52,457 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 3.09 percent. At June 30, 2018, the principal balance outstanding on the 2017 General Obligation Refunding Bonds was $1,460,000. Unamortized premium received on issuance of the bonds amounted to $107,474 as of June 30, 2018.

2014 General Obligation Bonds, Series C

On June 7, 2018, the District issued $10,250,000 of 2014 General Obligation Bonds, Series C. 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 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, 2018, the principal balance outstanding on the 2014 General Obligation Bonds, Series C was $10,250,000. Unamortized premium received on issuance of the bonds amounted to $925,152 as of June 30, 2018.

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
2019	$ 15,960,000	$ -	$ 4,028,323	$ 19,988,323
2020	16,246,061	43,939	3,663,222	19,953,222
2021	15,170,126	594,874	3,204,494	18,969,494
2022	10,601,708	1,218,292	3,365,031	15,185,031
2023	10,499,086	2,110,914	3,673,519	16,283,519
2024-2028	52,891,285	19,428,715	16,916,881	89,236,881
2029-2033	57,585,731	4,779,269	12,700,653	75,065,653
2034-2028	35,224,868	52,335,982	10,699,563	98,260,413
2037-2043	21,744,866	9,855,134	7,870,975	39,470,975
2044-2048	27,155,000	-	2,935,100	30,090,100
Total	$ 263,078,731	$ 90,367,119	$ 69,057,761	$ 422,503,611

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, 2018, the principal balance outstanding was $2,770,165.

Capital Lease

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 1, 2017	$	171,985
Payments		(45,985)
Balance, June 30, 2018	$	126,000

Future payments on capital leases are as follows:

Year Ending June 30,		Lease Payment
2019	$	21,000
2020		21,000
2021		21,000
2022		21,000
2023-2024		42,000
Total	$	126,000

Compensated Absences

Compensated absences (accumulated unpaid employee vacation) for the District at June 30, 2018, amounted to $2,852,883.

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, 2018, amounted to $11,152,961.

SELF 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, 2018, the District's outstanding obligation to their pro-rata share of equity assessed was $222,353.

Net Other Postemployment Benefit (OPEB) Liability

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

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	OPEB Expense
District Plan	$ 24,687,293	$ 756,530	$ 2,088,468
Medicare Premium Payment (MPP) Program	1,404,744	-	(109,240)
Total	$ 26,092,037	$ 756,530	$ 1,979,228

The details of each plan are as follows:

District Plan

Plan Administration

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

Plan Membership

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

Inactive employees or beneficiaries currently receiving benefits payments	197
Active employees	2,024
	2,221

Benefits Provided

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

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Teacher Association of the Norwalk-La Mirada Area (TANLA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, TANLA, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the District paid $756,530 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of $24,687,293 was measured as of June 30, 2017. The total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

Inflation	2.75	percent
Salary increases	2.75	percent, average, including inflation
Discount rate	3.50	percent
Healthcare cost trend rates	4.00	percent for 2017

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

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

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016	$ 22,598,825
Service cost	2,005,340
Interest	812,326
Benefit payments	(729,198)
Net change in total OPEB liability	2,088,468
Balance at June 30, 2017	$ 24,687,293

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

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

Discount Rate	Total OPEB Liability
1% decrease (2.5%)	$ 26,573,500
Current discount rate (3.5%)	24,687,293
1% increase (4.5%)	22,931,659

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

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

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (3.0%)	$ 23,356,538
Current healthcare cost trend rate (4.0%)	24,687,293
1% increase (5.0%)	25,782,081

OPEB Expense and Deferred Outflows of Resources related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $2,088,468. At June 30, 2018, the District reported deferred outflows of resources for the amount paid by the District for OPEB as the benefits come due subsequent to measurement date of $ 756,530.

The deferred outflows of resources related to net other postemployment benefits (OPEB) liability resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net other postemployment benefits (OPEB) liability in the subsequent fiscal year.

Medicare Premium Payment (MPP) Program

Plan Description

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

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

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2018, the District reported a liability of $1,404,744 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.3339 percent, and 0.3235 percent, resulting in a net increase in the proportionate share of 0.0104 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of $(109,240).

Actuarial Methods and Assumptions

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

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

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

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

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

Discount Rate

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

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.58%)	$ 1,555,150
Current discount rate (3.58%)	1,404,744
1% increase (4.58%)	1,258,443

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 1,269,402
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	1,404,744
1% increase (4.7% Part A and 5.1% Part B)	1,538,735

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 125,000	$ -	$ -	$ -	$ 125,000
Stores inventories	168,844	-	-	169,285	338,129
Prepaid expenditures	142,293	-	-	287	142,580
Total Nonspendable	436,137	-	-	169,572	605,709
Restricted					
Legally restricted	1,467,728	-	-	8,472,155	9,939,883
Capital projects	-	56,133,301	-	378,614	56,511,915
Debt services	-	-	21,690,248	2,287,200	23,977,448
Total Restricted	1,467,728	56,133,301	21,690,248	11,137,969	90,429,246
Committed					
Deferred maintenance program	-	-	-	444,353	444,353
Assigned					
School site supply allocation carryover	288,305	-	-	-	288,305
Postemployment benefits	5,910,816	-	-	-	5,910,816
Capital projects	-	-	-	8,642,046	8,642,046
Total Assigned	6,199,121	-	-	8,642,046	14,841,167
Unassigned					
Reserve for economic uncertainties	6,640,297	-	-	-	6,640,297
Remaining unassigned	28,171,306	-	-	-	28,171,306
Total Unassigned	34,811,603	-	-	-	34,811,603
Total	$ 42,914,589	$ 56,133,301	$ 21,690,248	$ 20,393,940	$ 141,132,078

NOTE 11 - 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 Revenue
2019	$ 1,223,154
2020	826,482
2021	796,348
Total	$ 2,845,984

NOTE 12 - 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, 2018, 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.

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, 2016 to June 30, 2018:

	Workers' Compensation	Property and Liability	Total
Liability Balance, July 1, 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, July 1, 2017	16,916,000	427,000	17,343,000
Claims and changes in estimates	(3,677,492)	114,449	(3,563,043)
Claims payments	(2,517,705)	(109,291)	(2,626,996)
Liability Balance, June 30, 2018	$ 10,720,803	$ 432,158	$ 11,152,961
Assets available to pay claims at June 30, 2018	$ 26,463,364	$ 812,655	$ 27,276,019

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

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

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 170,562,493	$ 49,927,021	$ 9,139,565	$ 17,795,624
CalPERS	73,407,676	24,287,839	1,122,922	12,989,287
Total	$ 243,970,169	$ 74,214,860	$ 10,262,487	$ 30,784,911

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, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:
http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

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

	STRP Defined Benefit Program	
	On or before	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	14.430%	14.430%
Required State contribution rate	9.328%	9.328%

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, 2018, are presented above and the District's total contributions were $14,515,484.

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

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

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	$ 170,562,493
State's proportionate share of the net pension liability associated with the District	100,903,330
Total	$ 271,465,823

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.1844 percent and 0.1819 percent, resulting in a net increase in the proportionate share of 0.0025 percent.

For the year ended June 30, 2018, the District recognized pension expense of $17,795,624. In addition, the District recognized pension expense and revenue of $10,156,889 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 14,515,484	$ -
Net change in proportionate share of net pension liability	3,182,086	1,622,127
Difference between projected and actual earnings on pension plan investments	-	4,542,554
Differences between expected and actual experience in the measurement of the total pension liability	630,757	2,974,884
Changes of assumptions	31,598,694	-
Total	$ 49,927,021	$ 9,139,565

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ (3,776,394)
2020	2,857,616
2021	412,052
2022	(4,035,828)
Total	$ (4,542,554)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 5,039,865
2020	5,039,865
2021	5,039,865
2022	5,039,866
2023	5,006,153
Thereafter	5,648,912
Total	$ 30,814,526

Actuarial Methods and Assumptions

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

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

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 250,439,889
Current discount rate (7.10%)	170,562,493
1% increase (8.10%)	105,736,573

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, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:
https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

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

	School Employer Pool (CalPERS)	
	On or before	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	7.000%	6.500%
Required employer contribution rate	15.531%	15.531%

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, 2018, are presented above and the total District contributions were $6,155,934.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $73,407,676. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively was 0.3075 percent and 0.2956 percent, resulting in a net increase in the proportionate share of 0.0119 percent.

For the year ended June 30, 2018, the District recognized pension expense of $12,989,287. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 6,155,934	$ -
Net change in proportionate share of net pension liability	2,240,261	258,637
Difference between projected and actual earnings on pension plan investments	2,539,403	-
Differences between expected and actual experience in the measurement of the total pension liability	2,629,895	-
Changes of assumptions	10,722,346	864,285
Total	$ 24,287,839	$ 1,122,922

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ (68,809)
2020	2,929,920
2021	1,068,868
2022	(1,390,576)
Total	$ 2,539,403

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 4,981,069
2020	5,241,908
2021	4,246,603
Total	$ 14,469,580

Actuarial Methods and Assumptions

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

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

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 108,006,214
Current discount rate (7.15%)	73,407,676
1% increase (8.15%)	44,705,290

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 $298,061 in the 2017-2018 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 $8,624,595 (9.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves, but have not been included in the original budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

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

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, 2018.

Construction Commitments

As of June 30, 2018, 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	$ 5,747,394	March 2019
Corvallis MS Landscape & Irrigation Renovation Phase 1A	3,551,832	December 2019
Gardenhill ES Mod/HVAC Addition Project Phase 1A	2,364,523	January 2019
Glenn HS New Synthetic Turf Sports Fields & Accessory Bldgs.	15,372,063	March 2019
Hutchinson MS Mod/HVAC Addition Project Phase 1A	2,167,682	January 2019
La Mirada HS Gym & Locker Room Renovation/Expansion Phase 1A	1,270,334	January 2020
Los Alisos MS Mod/HVAC Addition Project Phase 1A	182,001	August 2019
Morrison ES Mod/HVAC Addition Project Phase 1A	198,337	August 2019
La Mirada HS Campus-Wide Hard/Soft Scape Renovation	368,882	January 2022
Norwalk HS New Synthetic Turf Sports Fields & Accessory Bldgs.	1,158,304	September 2020
Norwalk HS Gym Mod & Weight Room Addition Phase	1,200,468	January 2022
Benton MS MPR Drama Room Light Bar Grid Project	42,191	August 2019
Chavez ES New Playground Structure Project	12,845	October 2018
Excelsior HS Auditorium Renovations	115,750	May 2019
Glazier ES New Playground Structure Project	12,030	October 2018
Hutchinson MS Electronic Marquee Project	8,873	September 2018
Los Alisos MS Portable Classrooms Replacement Project	840,095	December 2018
Morrison ES Traffic Mitigation & Parking Lot Expansion Project	17,601	January 2019
Morrison ES Shade Structures Project	11,490	March 2019
Norwalk HS Electronic Marquee Project	7,523	September 2018
Norwalk HS Fire Water Services Loop Project	12,000	January 2019
Norwalk HS Roof Building K Roofing Replacement	75,126	October 2018
Norwalk HS Culinary Arts Class Conversion Project	99,910	May 2019
Norwalk HS ERP Weight Room	188,707	November 2018
Excelsior HS Restroom Renovation Project	2,500	December 2018
Escalona ES Portable Classroom Project	11,869	February 2019
Hutchinson MS Portable Locker Rm/Classroom	15,155	April 2019
	$ 35,055,485	

NOTE 15 - PARTICIPATION IN JOINT POWERS AGREEMENTS

The Norwalk-La Mirada Unified School District is a member of the Schools Excess Liability Fund (SELF) JPA and Alliance of Schools for Cooperative Insurance Programs (ASCIP). 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, 2018, the District made payments of $545,564 and $3,156,434 to SELF and ASCIP, respectively.

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

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

Government-Wide Financial Statements		
Net Position - Beginning	$	(14,802,455)
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75		5,214,454
Net Position - Beginning, as Restated	$	(9,588,001)
Statement of Net Position - Business-Type Activities		
Net Position - Beginning	$	47,517
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75		(74,750)
Net Position - Beginning, as Restated	$	(27,233)

REQUIRED SUPPLEMENTARY INFORMATION

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

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

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local Control Funding Formula	$ 173,573,632	$ 173,842,316	$ 173,519,803	$ (322,513)
Federal sources	11,970,054	11,703,837	11,092,584	(611,253)
Other State sources	19,632,658	29,538,018	29,508,959	(29,059)
Other local sources	1,578,641	2,023,372	2,807,954	784,582
Total Revenues [1]	206,754,985	217,107,543	216,929,300	(178,243)
EXPENDITURES				
Current				
Certificated salaries	98,520,185	97,151,307	96,961,027	190,280
Classified salaries	38,376,990	37,791,475	37,473,809	317,666
Employee benefits	47,132,616	54,958,086	54,747,465	210,621
Books and supplies	9,794,833	9,694,323	9,272,334	421,989
Services and operating expenditures	17,158,670	16,694,053	17,094,110	(400,057)
Other outgo	732,443	565,408	629,641	(64,233)
Capital outlay	4,065,298	3,782,553	3,256,057	526,496
Debt service - principal	20,443	21,651	23,660	(2,009)
Debt service - interest	4,542	3,334	1,325	2,009
Total Expenditures [1]	215,806,020	220,662,190	219,459,428	1,202,762
Excess (Deficiency) of Revenues Over Expenditures	(9,051,035)	(3,554,647)	(2,530,128)	1,024,519
Other Financing Sources (Uses)				
Transfers in	823,056	862,041	80,000	(782,041)
Transfers out	(1,648,203)	(1,883,791)	(1,199,043)	684,748
Net Other Financing Sources (Uses)	(825,147)	(1,021,750)	(1,119,043)	(97,293)
NET CHANGE IN FUND BALANCE	(9,876,182)	(4,576,397)	(3,649,171)	927,226
Fund Balance - Beginning	46,563,760	46,563,760	46,563,760	-
Fund Balance - Ending	$ 36,687,578	$ 41,987,363	$ 42,914,589	$ 927,226

[1] On behalf payments of $8,624,595 are included in the actual revenues and expenditures, but have not been included in the original 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 CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2018

	2018
Total OPEB Liability	
Service cost	$ 2,005,340
Interest	812,326
Benefit payments	(729,198)
Net change in total OPEB liability	2,088,468
Total OPEB liability - beginning	22,598,825
Total OPEB liability - ending	$ 24,687,293
Covered payroll	N/A[1]
District's total OPEB liability as a percentage of covered payroll	N/A[1]

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

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

See accompanying note to required supplementary information.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

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

Year ended June 30,	2018
District's proportion of the net OPEB liability	0.3339%
District's proportionate share of the net OPEB liability	$ 1,404,744
District's covered-employee payroll	N/A[1]
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%

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

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

See accompanying note to required supplementary information.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

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

	2018	2017
CalSTRS		
District's proportion of the net pension liability	0.1844%	0.1819%
District's proportionate share of the net pension liability	$ 170,562,493	$ 147,115,885
State's proportionate share of the net pension liability associated with the District	100,903,330	83,750,449
Total	$ 271,465,823	$ 230,866,334
District's covered - employee payroll	$ 99,865,095	$ 91,741,538
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	171%	160%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%
CalPERS		
District's proportion of the net pension liability	0.3075%	0.2956%
District's proportionate share of the net pension liability	$ 73,407,676	$ 58,376,415
District's covered - employee payroll	$ 39,124,071	$ 35,234,321
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	188%	166%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%

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

See accompanying note to required supplementary information.

2016	2015
0.1850%	0.1813%
$ 124,524,676	$ 105,955,286
65,859,826	63,980,377
$ 190,384,502	$ 169,935,663
$ 89,594,302	$ 81,438,009
139%	130%
74%	77%
0.2912%	0.2985%
$ 42,919,072	$ 33,889,275
$ 32,288,947	$ 31,390,027
133%	108%
79%	83%

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

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

	2018	2017
CalSTRS		
Contractually required contribution	$ 14,515,484	$ 12,563,029
Contributions in relation to the contractually required contribution	14,515,484	12,563,029
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 100,592,405	$ 99,865,095
Contributions as a percentage of covered - employee payroll	14.43%	12.58%
CalPERS		
Contractually required contribution	$ 6,155,934	$ 5,433,551
Contributions in relation to the contractually required contribution	6,155,934	5,433,551
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 39,636,430	$ 39,124,071
Contributions as a percentage of covered - employee payroll	15.531%	13.888%

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

See accompanying note to required supplementary information.

2016	2015
$ 9,843,867	$ 7,955,974
9,843,867	7,955,974
$ -	$ -
$ 91,741,538	$ 89,594,302
10.73%	8.88%

$ 4,174,210	$ 3,800,732
4,174,210	3,800,732
$ -	$ -
$ 35,234,321	$ 32,288,947
11.847%	11.771%

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

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

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

Change in Benefit Terms – There were not changes in benefit terms.

Change of Assumptions – There were no changes in economic assumptions.

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

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plan's fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

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

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

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

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

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

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

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

Schedule of District Contributions

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

SUPPLEMENTARY INFORMATION

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Fund for the Improvement of Education	84.215E	[1]	$ 374,534
Passed through California Department of Education (CDE):			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	4,436,964
Title II, Part A, Supporting Effective Instruction	84.367	14341	384,945
Subtitle B of Title VII of the McKinney-Vento Homeless Assistance Act	84.196	14332	224,377
Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program	84.330B	14831	13,833
Title III, English Learner Student Program	84.365	14346	313,324
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	378,212
Title II, Part B, CA Mathematics and Science Partnerships	84.366	14512	94,941
Early Intervention Grants, Part C	84.181	23761	44,364
Adult Education - Basic Grants to States:			
Adult Basic Education & ELA	84.002A	14508	199,098
Adult Secondary Education	84.002	13978	82,941
English Literacy & Civics Education	84.002A	14109	99,690
Subtotal Adult Education - Basic Grants to States			381,729
Migrant Education - State Grant Program:			
Title I, Part C, Migrant Ed (Regular and Summer Program)	84.011	14326	279,689
Title I, Migrant Ed Summer Program	84.011	10005	108,737
Title I, Part C, Migrant Education (MESRP)	84.011	14768	25,484
Subtotal Migrant Education - State Grant Program			413,910
Career and Technical Education - Basic Grants to States:			
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	131,043
Passed through Paramount Unified School District:			
Carl D. Perkins Career and Technical Education: Adult, Section 132	84.048	14893	35,636
Subtotal Career and Technical Education - Basic Grants to States			166,679
Passed through Los Angeles County Office of Education (LACOE):			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	3,246,239
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	10,758
Preschool Grants, Part B, Sec 619	84.173	13430	98,138
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	314,534
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	203,687
Preschool Staff Development, Part B, Sec 619	84.173A	13431	1,000
Subtotal Special Education (IDEA) Cluster			3,874,356
Passed through California Department of Rehabilitation:			
Workability II, Transition Partnership	84.126	10006	96,305
Passed through Napa County Office of Education:			
State Personnel Development Grant	84.323A	[2]	15,149
Subtotal - U.S. Department of Education			11,213,622

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, 2018

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 [3]:			
Head Start: Basic	93.600	10016	$ 7,560,087
Head Start: Training and Technical Assistance (T&TA)	93.600	10016	17,438
Head Start: Early Head Start Basic	93.600	10016	1,408,709
Head Start: Dosage	93.600	10016	374,650
Head Start: Dosage Carryover Assistance (T&TA)	93.600	10016	1,350,140
Subtotal Head Start			10,711,024
Passed through CDE:			
Medi-Cal Administrative Activities	93.778	10060	249,980
Subtotal - U.S. Department of Health and Human Services			10,961,004
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	6,059,407
Especially Needy Breakfast Program	10.553	13526	2,150,798
Meal Supplements	10.556	13392	234,715
Commodities	10.555	13396	777,951
Subtotal Child Nutrition Cluster			9,222,871
Subtotal - U.S. Department of Agriculture			9,222,871
Total Federal Programs			$ 31,397,497

[1] Direct Award, PCA number not available

[2] PCA number not available

[3] Does not include District in-kind contributions of $2,369,695 to meet Federal match requirements. Contributions by program are as follows:

Head Start: Basic	93.600	10016	$ 1,955,426
Head Start: Training and Technical Assistance (T&TA)	93.600	10016	4,360
Head Start: Early Head Start Basic	93.600	10016	316,246
Head Start: Dosage	93.600	10016	93,663
Total In-kind Contributions			$ 2,369,695

See accompanying note to supplementary information.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018

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

MEMBER	OFFICE	TERM EXPIRES
Chris Pflanzer	President	2020
Ana Valencia	Vice President	2018
Darryl Adams	Member	2018
Jude Cazares	Member	2018
Karen Morrison	Member	2020
Jesse Urquidi	Member	2020
Norma Amezcua	Member	2018

ADMINISTRATION

Hasmik Danielian	Superintendent
John Lopez	Assistant Superintendent, Human Resources
Estuardo Santillan	Assistant Superintendent, Business Services
Patricio Vargas	Assistant Superintendent, Educational Services

See accompanying note to supplementary information.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

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

	Final Report	
	Second Period Report 3A829D1F	Annual Report 4C467E57
Regular ADA		
Transitional kindergarten through third	5,093.31	5,094.11
Fourth through sixth	3,938.05	3,929.62
Seventh and eighth	2,767.91	2,764.12
Ninth through twelfth	5,298.57	5,266.67
Total Regular ADA	17,097.84	17,054.52
Extended Year Special Education		
Transitional kindergarten through third	6.00	6.00
Fourth through sixth	5.89	5.89
Seventh and eighth	3.94	3.94
Ninth through twelfth	9.63	9.63
Total Extended Year Special Education	25.46	25.46
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.73	1.88
Fourth through sixth	4.22	4.38
Seventh and eighth	4.85	5.28
Ninth through twelfth	7.33	7.26
Total Special Education, Nonpublic, Nonsectarian Schools	18.13	18.80
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.22	0.22
Fourth through sixth	0.53	0.53
Seventh and eighth	0.41	0.41
Ninth through twelfth	1.10	1.10
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	2.26	2.26
Total ADA	17,143.69	17,101.04

See accompanying note to supplementary information.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

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

Grade Level	1986-87 Minutes Requirement	2017-18 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		54,444	180	N/A	Complied
Grade 2		54,444	180	N/A	Complied
Grade 3		54,444	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,444	180	N/A	Complied
Grade 5		54,444	180	N/A	Complied
Grade 6		56,310	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		56,310	180	N/A	Complied
Grade 8		56,310	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,785	180	N/A	Complied
Grade 10		65,785	180	N/A	Complied
Grade 11		65,785	180	N/A	Complied
Grade 12		65,785	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, 2018

Summarized below is the fund balance reconciliation between the Unaudited Actual Financial Report and the audited financial statements.

	Building Fund
FUND BALANCE	
Balance, June 30, 2018, Unaudited Actuals	$ 55,880,133
Decrease in:	
Accounts payable	253,168
Balance, June 30, 2018, Audited Financial Statement	$ 56,133,301

See accompanying note to supplementary information.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

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

	(Budget) 2019 [1]	2018	2017	2016
GENERAL FUND [3]				
Revenues	$ 227,861,187	$ 216,836,995	$ 214,842,217	$ 215,315,029
Other sources	866,138	836,530	805,493	830,156
Total Revenues and Other Sources	228,727,325	217,673,525	215,647,710	216,145,185
Expenditures	223,609,983	219,459,428	215,922,194	197,694,715
Other uses and transfers out	2,961,244	1,883,791	1,157,776	973,343
Total Expenditures and Other Uses	226,571,227	221,343,219	217,079,970	198,668,058
INCREASE (DECREASE) IN FUND BALANCE	$ 2,156,098	$ (3,669,694)	$ (1,432,260)	$ 17,477,127
ENDING FUND BALANCE	$ 39,159,871	$ 37,003,773	$ 40,673,467	$ 42,105,727
AVAILABLE RESERVES [2]	$ 37,515,946	$ 34,811,603	$ 36,005,301	$ 37,739,600
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	16.56%	15.73%	16.59%	19.00%
LONG-TERM OBLIGATIONS [4]	N/A	$315,517,935	$252,412,439	$ 260,517,181
K-12 AVERAGE DAILY ATTENDANCE AT P-2	16,843	17,144	17,591	17,827

The General Fund balance has decreased by $5,101,954 over the past two years; however, the fiscal year 2018-2019 budget projects an increase of $2,156,098 (5.8 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years, but anticipates incurring an operating surplus during the 2018-2019 fiscal year. Total long-term obligations have increased by $55,000,754 over the past two years.

Average daily attendance has decreased by 683 over the past two years. An additional decline of 301 ADA is anticipated during fiscal year 2018-2019.

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

[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

[3] General Fund amounts do not include activity related to the consolidation of the Fund 20, Special Reserve Fund for Other Postemployment Benefits as required by GASB Statement No. 54.

[4] Long-term obligations have been restated as of June 30, 2017 due to the implementation of GASB Statement No. 75.

See accompanying note to supplementary information.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

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

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS				
Deposits and investments	$ 2,250,298	$ 1,091	$ 4,260,158	$ 444,353
Receivables	202,870	1,610,136	2,122,963	-
Prepaid expenses	-	287	-	-
Stores inventories	-	-	169,285	-
Total Assets	$ 2,453,168	$ 1,611,514	$ 6,552,406	$ 444,353
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 127,511	$ 1,034,797	$ 325,525	$ -
Due to other funds	-	481,000	-	-
Unearned revenue	1,000	5,528	-	-
Total Liabilities	128,511	1,521,325	325,525	-
Fund Balances:				
Nonspendable	-	287	169,285	-
Restricted	2,324,657	89,902	6,057,596	-
Committed	-	-	-	444,353
Assigned	-	-	-	-
Total Fund Balances	2,324,657	90,189	6,226,881	444,353
Total Liabilities and Fund Balances	$ 2,453,168	$ 1,611,514	$ 6,552,406	$ 444,353

See accompanying note to supplementary information.

Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
$ 485,297	$ 11,082,898	$ 18,524,095
11,008	118,992	4,065,969
-	-	287
-	-	169,285
$ 496,305	$ 11,201,890	$ 22,759,636
$ 117,691	$ 272,644	$ 1,878,168
-	-	481,000
-	-	6,528
117,691	272,644	2,365,696
-	-	169,572
378,614	2,287,200	11,137,969
-	-	444,353
-	8,642,046	8,642,046
378,614	10,929,246	20,393,940
$ 496,305	$ 11,201,890	$ 22,759,636

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, 2018

	Adult Education Fund	Child Development Fund	Cafeteria Fund
REVENUES			
Federal sources	$ 381,729	$ 10,711,024	$ 9,222,871
Other State sources	4,117,620	2,110,791	670,429
Other local sources	481,588	654,700	1,627,364
Total Revenues	4,980,937	13,476,515	11,520,664
EXPENDITURES			
Current			
Instruction	2,061,748	7,453,484	-
Instruction-related activities:			
Supervision of instruction	14,857	1,393,968	-
Instructional library, media, and technology	5,381	-	-
School site administration	1,664,805	1,596,294	-
Pupil services:			
Food services	-	-	11,288,545
All other pupil services	169,632	364,403	-
Administration:			
All other administration	-	114,188	549,691
Plant services	417,069	766,540	97,041
Enterprise services	-	423,918	-
Facility acquisition and construction	104,005	1,412,032	190,671
Debt service			
Principal	-	21,000	-
Total Expenditures	4,437,497	13,545,827	12,125,948
Excess (Deficiency) of Revenues Over Expenditures	543,440	(69,312)	(605,284)
Other Financing Sources			
Transfers in	-	-	-
NET CHANGE IN FUND BALANCES	543,440	(69,312)	(605,284)
Fund Balances - Beginning	1,781,217	159,501	6,832,165
Fund Balances - Ending	$ 2,324,657	$ 90,189	$ 6,226,881

See accompanying note to supplementary information.

Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ 20,315,624
-	-	-	6,898,840
866	175,352	3,056,018	5,995,888
866	175,352	3,056,018	33,210,352
-	-	-	9,515,232
-	-	-	1,408,825
-	-	-	5,381
-	-	-	3,261,099
-	-	-	11,288,545
-	-	-	534,035
-	8,717	-	672,596
-	192,676	469,109	1,942,435
-	-	-	423,918
685,218	686,599	3,366,336	6,444,861
-	-	-	21,000
685,218	887,992	3,835,445	35,517,927
(684,352)	(712,640)	(779,427)	(2,307,575)
799,043	-	400,000	1,199,043
114,691	(712,640)	(379,427)	(1,108,532)
329,662	1,091,254	11,308,673	21,502,472
$ 444,353	$ 378,614	$ 10,929,246	$ 20,393,940

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 have been recorded in the current period as revenues that have not been expended as of June 30, 2018. These unspent balances are reported as legally restricted ending balances within the General Fund.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 31,408,208
State Personnel Development Grant	84.323A	(10,711)
Total Schedule of Expenditures of Federal Awards		$ 31,397,497

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.

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, 2018, 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 17, 2018.

Emphasis of Matter - Change in Accounting Principles

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

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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.

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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 17, 2018.

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.

VAUZNEK, TRINE, DAY + CO. LLP

Rancho Cucamonga, California
December 17, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT 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, 2018. 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.

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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, 2018.

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.

VAVRINEK, TRINE, DAY + CO. LLP

Rancho Cucamonga, California
December 17, 2018

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 *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Norwalk-La Mirada Unified School District's State government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the 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 *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about 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 Unduplicated Local Control Funding Formula Pupil Counts

As described in the accompanying schedule of findings and questioned costs, Norwalk-La Mirada Unified School District did not comply with requirements regarding Unduplicated Local Control Funding Formula Pupil Counts; finding 2018-001. 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.

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Qualified Opinion on Unduplicated Local Control Funding Formula Pupil Counts

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, 2018.

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, 2018, 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
Apprenticeship: Related and Supplemental Instruction	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	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

	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 *2017-2018 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 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 an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship 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.

VAVRINEK, TRINE, DAY + CO. LLP

Rancho Cucamonga, California
December 17, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

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

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555, and 10.556	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 941,925
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Unmodified

Unmodified for all programs except for the following program which was qualified:

Name of Program
Unduplicated Local Control Funding Formula Pupil Counts

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

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

None reported.

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

The following finding represent instances of noncompliance and questioned cost relating to State program laws and regulations. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

Unduplicated Local Control Funding Formula Pupil Counts

2018-001 40000

Criteria or Specific Requirements

California Education Code Section 42238.02(b)(4) states that the school districts should revise their submitted data on English learner, foster youth, and free or reduced-price meal eligible pupil counts to ensure the accuracy of data reflected in the California Longitudinal Pupil Achievement Data System (CALPADS).

Condition

The Unduplicated Local Control Funding Formula Pupil Counts submitted to the California Department of Education was inaccurate. It appears that the District inaccurately reported eligibility for a total of 41 students for Free or Reduced-Price Meals on CALPADS Form 1.18 - FRPM/English Learner/Foster Youth – Student List.

Questioned Costs

The District over claimed the total eligible pupils by 41, resulting in a decrease of approximately $34,068 in LCFF funding.

Context

The condition identified was determined through a selection of students from Form 1.18 based on the criteria as stated on the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, Part W. Unduplicated Local Control Funding Formula Pupil Counts, 1.a: "Select a representative sample, to achieve a high level of assurance, from the students indicated as only free or reduced priced meal eligible (FRPM) identified under the "NSLP Program" column (which means students are indicated as a "No" under the "Direct Certification" column, a "No" under the "Homeless" column, blank under the "Migrant Ed Program" column, a "No" under "Foster" column, and "181-Free" or "182-Reduced" under the "NSLP Program" column) and verify there is a supporting documentation such as a Free and Reduced Price Meal (FRPM) eligibility application under a federal nutrition program, an alternative household income data collection form that indicates the student was eligible for the designation, or a direct certification list obtained from the county welfare department, or COE, that matches enrolled students against those children/households receiving CalFresh (or CALWORKs) benefits."

Context (Continued)

From the original sample of 40 FRPM students tested, two students were reported inaccurately. The auditor inquired further with the District and determined that the District did not make changes to students' eligibility for those students whose status should have been updated due to the National School Lunch Program's verification process. The District extracted the eligibility status for fiscal year 2017-2018 and compared it to the status report on CALPADS Form 1.18. The comparison resulted in a decrease of 41 eligible pupils. The auditor obtained a copy of this list and confirmed that the exceptions noted in our original testing were in fact noted on the list as having a change in status, yet the change was not made. This list noted a total of 41 students whose status should have been changed in CALPADS.

Effect

The District does not appear to be in compliance with Education Code Section 42238.02(b)(4). In addition, the District appears to be over claiming the total FRPM eligible pupil by 41 for a decrease in funding of approximately $34,068. The schedule below shows the District-wide exceptions:

	Enrollment Count	Certified Total Unduplicated Count	Adjustment to Total Enrollment Count	Adjustment Based on Eligibility for FRPM	Adjusted Total Enrollment	Adjusted Total Unduplicated Pupil Count
District-Wide	17,889	13,391	0	(41)	17,889	13,350

Cause

It appears that the condition identified has materialized as a result of the District not updating the status for students whose eligibility changed from the National School Lunch Program's verification process from free/reduced to paid or paid to free/reduced.

Recommendation

The District should emphasize the importance of completing the Form 1.18 accurately, which would include ensuring that all changes are accurately and timely updated based on new eligibility documentation received.

Corrective Action Plan

The District has taken corrective action and adjusted the unduplicated pupil count. New procedures have also been implemented to ensure income verification is completed and any changes are communicated to the CALPALDS reporting team.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

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

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

State Awards Findings

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.

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.

Current Status

Implemented.

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, 2018, 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 17, 2018, on the government-wide financial statements of the District.

CAPITAL ASSETS ACCOUNTING

Observation

Annually, the District contracts with a service provider to assist in the preparation of the capital assets listing. The District must provide the detailed activity for the year to the service provider, who will then complete the capital assets listing, including depreciation, using the District provided information. The District then reviews the report to ensure its accuracy. However, because this process occurs subsequent to the fiscal year-end only, the capital assets recorded are not being updated in a timely manner. The capital assets for the current fiscal year were not available for audit until December 8, 2018.

Recommendation

To ensure the timely completion of the capital asset listing for audit purposes, the District should update the capital assets throughout the year, as opposed to completing them subsequent to year-end. Tracking the work in progress account as project costs are incurred will also assist in ensuring the timely completion of the capital assets listing.

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INTERNAL CONTROLS

Non-Payroll Disbursements

Observation

Three of 42 disbursements selected for testing were not approved prior to the transaction taking place. This would indicate that the items/services were purchased prior to receiving an approval.

Recommendation

All disbursements should be pre-approved prior to the transaction taking place. Disbursement procedures require multiple levels of approval depending on the nature of the disbursement. One of those approvals is by the business department. The business department is responsible for reviewing account coding and making sure that expenditures are limited by established budgets. The District should ensure that all disbursements follow established procedures to allow for proper vetting of the nature of the disbursement and availability of funds.

Observation

13 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.

Payroll Disbursements

Observation

For 40 selected employees who had been paid for hourly units worked, two were paid at incorrect hourly rates due to clerical errors. The nature of these clerical errors involved the assigning of hourly units to incorrect pay line assignments in the QSS payroll module.

Recommendation

The District should strengthen internal control procedures to ensure that units of work are assigned to the correct pay lines in the QSS payroll module.

ASSOCIATED STUDENT BODY (ASB)

Los Alisos Middle School

Observations

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

1. All four 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.
2. Open purchase orders are being liberally used for ASB disbursements. All four transactions tested had purchase orders that were approved without a specific dollar amount. The amount is filled in once the invoice is received. The use of such purchase requests prevents the ASB from identifying deficit spending and prevents the ASB from engaging in the proper pre-approval of transactions.

Recommendations

1. 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.
2. The ASB should minimize the use of open purchase orders. The ASB should also be cognizant of its operating budget when creating these open purchase orders in order to prevent any instances of deficit spending. Furthermore, all purchase orders created and approved by the ASB should identify specific vendors that the ASB would engage in business transactions with and an estimated dollar amount. This would allow the ASB to facilitate the pre-approval of disbursement transactions.

Nettie L. Waite Middle School

Observation

Based on the review of the cash receipting procedures, it was noted that ten of 14 receipts tested were not deposited in a timely manner. The delay in deposit ranged from approximately 12 to 40 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.

John H. Glenn High School

Observations

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

1. Three of 69 deposits tested were not deposited in a timely manner. The delay in deposit ranged from approximately 11 to 15 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. Based on the review of cash receipting procedures, it was noted that a deposit was not made intact. Per the supporting log documentation, the deposit should have been in the amount of $219; however the amount deposited was $189. The ASB was unable provide an explanation for the variance of $30.
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. Two of 25 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.
6. One of two revenue potential forms tested was incomplete; the expected revenues were not documented on the revenue potential form and an explanation for the differences between the estimated and the actual profit was not indicated.

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. 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.

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. 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.
6. 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.

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

VAUZNEK, TRINE, DAY + CO. LLP

Rancho Cucamonga, California
December 17, 2018