



Annual Financial Report
June 30, 2019

Norwalk-La Mirada Unified
School District



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, 2019, 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 *2018-2019 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Norwalk-La Mirada Unified School District, as of June 30, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 17, budgetary comparison schedule on page 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 16, 2019, 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.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 16, 2019



NORWALK - LA MIRADA UNIFIED SCHOOL DISTRICT
Every Student. Future Ready. Our Promise!

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, 2019, with comparative information for the year ending June 30, 2018. 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.

BOARD OF EDUCATION

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NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

Business - Type Activities - The District charges fees to help it cover the costs of certain services it provides. The District's child care program is included here.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$(25,336,512) for the fiscal year ended June 30, 2019. Of this amount, \$(255,020,737) 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	
	2019	2018	2019	2018	2019	2018
ASSETS						
Current and other assets	\$ 218,125,911	\$ 195,434,242	\$ 618,895	\$ 550,278	\$ 218,744,806	\$ 195,984,520
Capital assets	349,598,003	310,233,392	-	-	349,598,003	310,233,392
Total Assets	567,723,914	505,667,634	618,895	550,278	568,342,809	506,217,912
Deferred Outflows of Resources	73,633,045	75,441,751	195,527	173,674	73,828,572	75,615,425
LIABILITIES						
Current liabilities	27,901,176	29,325,405	36,715	54,842	27,937,891	29,380,247
Long-term obligations	373,458,663	315,433,569	85,596	84,366	373,544,259	315,517,935
Aggregate net pension liability	251,974,502	243,441,209	672,933	528,960	252,647,435	243,970,169
Total Liabilities	653,334,341	588,200,183	795,244	668,168	654,129,585	588,868,351
Deferred Inflows of Resources	13,359,130	10,211,918	19,178	50,569	13,378,308	10,262,487
NET POSITION						
Net investment in capital assets	180,381,856	161,913,786	-	-	180,381,856	161,913,786
Restricted	49,302,369	47,897,390	-	-	49,302,369	47,897,390
Unrestricted (deficit)	(255,020,737)	(227,113,892)	-	5,215	(255,020,737)	(227,108,677)
Total Net Position (deficit)	\$ (25,336,512)	\$ (17,302,716)	\$ -	\$ 5,215	\$ (25,336,512)	\$ (17,297,501)

The \$(255,020,737) in unrestricted net position represents the accumulated results of all past years' operations. This unrestricted net position now includes the long-term liabilities from pension benefits as required under GASB 67/68, impacting the overall net position. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by \$27,912,060 (\$(255,020,737) compared to \$(227,108,677)).

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 19. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities		Business-Type Activities		School District Activities	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 1,697,284	\$ 1,620,109	\$ 958,031	\$ 942,262	\$ 2,655,315	\$ 2,562,371
Operating grants and contributions	55,073,645	50,597,635	1,076	-	55,074,721	50,597,635
General revenues:						
Federal and State aid not restricted	156,537,915	145,230,557	-	-	156,537,915	145,230,557
Property taxes	54,130,938	52,930,468	-	-	54,130,938	52,930,468
Other general revenues	22,947,981	20,100,936	13,943	8,449	22,961,924	20,109,385
Total Revenues	290,387,763	270,479,705	973,050	950,711	291,360,813	271,430,416
Expenses						
Instruction-related	196,497,442	180,056,419	-	-	196,497,442	180,056,419
Pupil services	35,672,123	31,866,401	-	-	35,672,123	31,866,401
Administration	13,762,685	12,016,984	-	-	13,762,685	12,016,984
Plant services	27,401,577	30,440,305	-	-	27,401,577	30,440,305
All other services	25,210,468	23,894,311	855,529	838,263	26,065,997	24,732,574
Total Expenses	298,544,295	278,274,420	855,529	838,263	299,399,824	279,112,683
Transfers	122,736	80,000	(122,736)	(80,000)	-	-
Change in Net Position	\$ (8,033,796)	\$ (7,714,715)	\$ (5,215)	\$ 32,448	\$ (8,039,011)	\$ (7,682,267)

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

Governmental Activities

As reported in the *Statement of Activities* on page 19, the cost of all of our governmental activities this year was \$298,544,295, an increase of \$20,269,875 or 7.3 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 18.1 percent of overall expenditures and the vast majority of expenditures were paid by those who benefited from the programs (\$1,697,284) or by other governments and organizations who subsidized certain programs with grants and contributions (\$55,073,645). We paid for the remaining "public benefit" portion of our governmental activities with \$179,485,896 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	
	2019	2018	2019	2018
Instruction-related	\$ 196,497,442	\$ 180,056,419	\$ 157,162,129	\$ 143,492,642
Pupil services	35,672,123	31,866,401	22,065,328	18,895,689
Administration	13,762,685	12,016,984	11,754,350	10,546,522
Plant services	27,401,577	30,440,305	26,033,724	29,624,082
All other services	25,210,468	23,894,311	24,757,835	23,497,741
Total	\$ 298,544,295	\$ 278,274,420	\$ 241,773,366	\$ 226,056,676

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$165,064,733, which is an increase of \$23,932,655 from last year. An itemized chart is provided below labeled as Table 4.

Table 4

	Balances and Activity			
	July 1, 2018	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2019
General Fund	\$ 42,914,589	\$ 239,078,736	\$ 240,937,633	\$ 41,055,692
Building Fund	56,133,301	60,919,129	33,546,893	83,505,537
Bond Interest and Redemption Fund	21,690,248	23,149,629	19,988,324	24,851,553
Adult Education Fund	2,324,657	5,143,540	5,568,646	1,899,551
Child Development Fund	90,189	13,316,338	13,320,211	86,316
Cafeteria Fund	6,226,881	11,456,939	12,458,708	5,225,112
Deferred Maintenance Fund	444,353	915,004	1,359,357	-
Capital Facilities Fund	378,614	233,192	611,261	545
Special Reserve Fund for Capital Outlay Projects	10,929,246	5,197,423	7,686,242	8,440,427
Total	\$ 141,132,078	\$ 359,409,930	\$ 335,477,275	\$ 165,064,733

The primary reasons for these increases are:

- The Building Fund increased \$27.37 million from \$56.1 million to \$83.51 million, due to the sale of \$60 million in Series D general obligation bonds from Measure G to complete the construction and modernization projects in Phase 1A and begin Phase 1B projects. Additionally, the Hutchinson Middle School and Gardenhill Elementary multi-purpose room/administration projects were nearly completed as well as the John Glenn High School athletic field project.
- The Bond Interest and Redemption Fund is used for the repayment of bonds issued under Measure S and Measure G and was increased by \$3.16 million.
- Special Reserve Fund for Capital Outlay Projects decreased from \$10.9 million to \$8.4 million as a result of major capital improvements, such as, new site and office furniture, playground upgrades, marquee replacements, portable projects and new maintenance vehicles.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

- 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 \$42.9 million to \$41.1 million or -\$1.86 million for both unrestricted and restricted sources.
 - The unrestricted General Fund decreased \$1.89 million, as a result of negotiations between both employee associations for an on-going 4.00 percent salary increase, higher pension and health benefits contributions, and increases in expenditures for Local Control Accountability Plan services; which were offset by one-time state funds of \$184/ADA and additional LCFF GAP/COLA funding.
 - The restricted General Fund decreased slightly by \$0.12 million from a combination of using of one-time grants received from the state, such as, the Clean Energy Jobs Grant (\$0.45 million) and College Readiness Block Grant (\$0.22 million); and the receipt of new grants for Classified School Employees Professional Development (\$0.14 million) and Low-Performing Students Block Grant (\$0.46 million).
- The Adult Education Fund and Cafeteria Fund had fund balance decreases of \$0.43 million and \$1.00 million respectively, for one-time site upgrades at the Excelsior site and kitchen improvements throughout the district.

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 6, 2019. (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.)

- Final budgetary revenue changes were \$1.61 million higher than original anticipated, inclusive of transfers in; and expenditures were higher by \$5.949 million, inclusive of transfers out, from the Adopted Budget. In total, final budgetary revisions for the 2018-2019 fiscal year projected a decrease in the estimated fund balance of -\$2.18 million; and final actuals were -\$1.86 million.

Noteworthy budget revisions to revenues are outlined below:

- Local Control Funding Formula, also known as LCFF, increased from the original budget to final projections with a total budgetary change of 1.01 percent or \$1.82 million; due to changes in the COLA from 2.71 percent to 3.71 percent and higher unduplicated pupil ratios.
- Budgeted Federal revenues increased 5.92 percent or \$0.63 million. Significant changes included new funding of \$0.45 million received for Medi-Cal reimbursement programs which were previously suspended; and changes in carryover of \$0.18 million for Title programs.
- State revenues were revised from \$34.42 million to \$33.20 million, a decrease of \$1.23 million, primarily due to the reduction of One-time Discretionary funds from \$344/ADA to \$184/ADA, or -\$2.7 million, as a result of the Governor's final Budget Act. This decrease in state revenues was partially offset by new program revenues and changes as follows:
 - Classified School Employees Block grant funds of \$0.14 million.
 - Low Performing Students Block grant funds of \$0.95 million.
 - STRS On-behalf GASB reporting changes of \$0.64 million

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

- Local revenue revisions were \$0.45 million, increasing the original budget figures from \$1.65 million to \$2.11 million at final for the following:
 - Interest income from the County Treasurer of \$0.15 million due to higher rates
 - Donations made to various K-8 schools increased by \$0.14 million
 - New grant funding from various local grants of \$0.16 million

Noteworthy budget revisions to expenditures are outlined below:

- Certificated and Classified Salaries and Employee Benefits were \$5.12 million higher than the Adopted Budget primarily due to increases to cover a negotiated cost-of-living increase of 4.00 percent, effective July 1, 2018, increases in the STRS and PERS benefit rates, and changes to new positions and vacancies.
- Books, supply, services and operating budgets were \$0.33 lower, or 1.25 percent from the original budget of \$26.41 million due to site and department changes to cover operations.
- Capital outlay budgets were revised from \$2.33 million to \$3.32 million or 42.53 percent, as a result of a one-time grant received for the Emergency Repair Project at Norwalk High School of \$0.72 million; and \$0.35 million used for the California Clean Energy program.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had \$349,598,003 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 \$39,364,611, or 12.7 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2019	2018
Land and construction in progress	\$ 81,642,048	\$ 43,646,848
Buildings and improvements	257,427,386	260,319,081
Furniture and equipment	10,528,569	6,267,463
Total	\$ 349,598,003	\$ 310,233,392

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 stadium project at John Glenn High School, which consisted of new athletic fields, concession stands, synthetic tracks, lighting, landscaping and various other land improvements. Additionally, the final close-out of for the land improvement projects at Benton and Corvallis Middle schools were completed.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Long-Term Obligations

At the end of this year, the District had \$373,544,259 in long-term obligations outstanding versus \$315,517,935 last year, an increase of 18.4 percent. Those obligations consisted of:

Table 6

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds - net (financed with property taxes)	\$ 328,901,637	\$ 272,301,536	\$ -	\$ -	\$ 328,901,637	\$ 272,301,536
Certificates of participation	2,770,165	2,770,165	-	-	2,770,165	2,770,165
Capital lease	105,000	126,000	-	-	105,000	126,000
Compensated absences	3,102,431	2,852,883	-	-	3,102,431	2,852,883
Claims liability	11,325,142	11,152,961	-	-	11,325,142	11,152,961
SELF workers' compensation assessment	177,309	222,353	-	-	177,309	222,353
Net other postemployment benefits (OPEB) liability	27,076,979	26,007,671	85,596	84,366	27,162,575	26,092,037
Total	\$ 373,458,663	\$ 315,433,569	\$ 85,596	\$ 84,366	\$ 373,544,259	\$ 315,517,935

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 C, totaling \$60 million to fund future Phase 1 Measure G projects.

Other long-term obligations are inclusive of compensated absences payable, workers' compensation claims liability and assessment, and postemployment health benefits; which remained relatively level to prior year figures. 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 \$251,974,502 in the governmental activities and \$672,933 in the business-type activities versus \$243,441,209 and \$528,960 in the previous year. This represents increases of \$8,533,293, or 3.5 percent, and \$143,973, or 27.2 percent, for the governmental activities and business-type activities, respectively.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2019-2020 year, the governing board and management used the following criteria:

The District's projected budgeted income for the total General Fund is \$227.72 million. Unrestricted totals are \$161.13 million or 70.8 percent of all General Fund revenues, and restricted revenues are budgeted at \$66.58 million. The key assumptions in our revenue forecast are:

1. LCFF revenue sources are budgeted at \$11,099/ADA, an increase of \$446 per ADA from 2018-2019 estimated funding levels. LCFF funding includes a 3.26 percent cost-of-living adjustment, which is used to increase the base grants annually. Projected Second Period Apportionment (P2 ADA) is calculated at 16,697 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 2019-2020 are based using 2018-2019 generated ADA.
 - a. LCFF income is projected at \$185.88 million (inclusive of EPA funding and property taxes), representing 81.6 percent of all revenue sources, which represents an increase over prior year estimated actuals. The increase is a result of the Governor's Budget which provided an additional \$3.0 billion to fully fund LCFF COLA, resulting in an estimated COLA increase of \$5.9 million. LCFF funding is partially offset by declining enrollment of an estimated 394 students, or roughly \$3.1 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 \$30.60 million, or 13.44 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 \$25.32 million; and similar to property taxes, any changes in EPA funding is offset by a change in LCFF.
2. Federal income is budgeted at \$11.96 million, an increase of \$0.76 million from the previous budget reporting period. The funding increase is a result of new grants received for mathematics (\$0.35 million) and Every Student Succeeds (ESSA) \$0.34 million.
3. Income from State funding sources is budgeted at \$27.07 million, a decrease of \$6.13 million or 18.46 percent from the District's final budget amounts. The decrease was primarily due to the loss one-time Discretionary funds and Emergency Repair Program funds.
4. Local revenues are projected to be \$1.97 million, or \$0.14 million lower than prior year estimates from the loss of one-time site donations, and carryover funds.
5. Other Financing Sources (transfers-in) include Board of Education approved transfers to support and fund specific identified activities, such as child-care and OPEB, and are budgeted at \$0.84 million.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

The District's total General Fund expenditures are budgeted at \$230.90 million. Unrestricted expenditures are budgeted at \$163.10 million and restricted expenditures are budgeted at \$67.81 million. Salaries and benefits represent 87.7 percent of all expenditures and the remaining 12.3 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 \$140.77 million. Staffing ratios approved in policy and employee contracts are included in the proposed budget and reflect the unrestricted salaries of 669 classroom teachers, 46 certificated site administrators, 33 counselors, 28 other certificated staff, 43 certificated and classified management staff, 8 confidential employees and 530 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	24.2:1	4,804
Grades four through five	31:1	2,479
Grades six through eight	30:1	3,861
Grades nine through twelve	28.8:1	5,103

Salary projections include the following:

- a. Negotiations for the 2018-2019 were settled with both bargaining associations and the cost of the 4.00 percent cost-of-living increases are budgeted; however, 2019-2020 negotiations remain unsettled and are ongoing.
 - i. For informational purposes only, the estimated cost of a 1.0 percent salary improvement for all employees is \$1.7 million.
 - b. Step, scale, and longevity increases estimated at \$1.0 million, which has been adjusted for attrition.
2. Employee benefits are budgeted at \$61.83 million and include statutory benefits for all positions as follows: (STRS 16.70 percent, PERS 20.733 percent, OASDI 6.2 percent, Medicare 1.45 percent, SUI 0.05 percent, Workers' Comp 1.96 percent, Alternative Retirement 5.00 percent, and OPEB 0.016 percent.). STRS and PERS rates reflect increases from previous years which were 16.28 and 18.062 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 \$2.00 million through 2021-2022.
 - 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 \$0.78 million.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

3. \$28.3 million of the total General Fund operating budget is allocated for books, supplies (\$7.75 million), other operating expenses and services (\$17.70 million), capital outlay (\$0.41 million), and other outgo and uses (\$2.44 million). Other operating expenditures include items such as instructional materials, supplies, equipment, insurance fees, software licensing, maintenance and support agreements, utilities, contracted services, consultants, conference attendance requests, indirect costs, and inter-fund transfers.
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 2019-2020 District Budget. Total funding required to meet the proportionality percentage requirement is budgeted at \$37.5 million, resulting in a minimum proportionality percentage 26.0 percent.
5. The Budget also contains continued progress for the fiscal contingency plan and includes budget savings of \$0.94 million from various business services operations discretionary accounts, and \$0.98 million from realigning and improving instructional programs and services for students

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 Fiscal 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, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	\$ 202,693,910	\$ 602,245	\$ 203,296,155
Receivables	13,018,183	16,650	13,034,833
Prepaid expenses	2,158,507	-	2,158,507
Stores inventories	255,311	-	255,311
Capital assets			
Land and construction in process	81,642,048	-	81,642,048
Other capital assets	405,709,690	12,795	405,722,485
Less: accumulated depreciation	(137,753,735)	(12,795)	(137,766,530)
Total Capital Assets	349,598,003	-	349,598,003
Total Assets	567,723,914	618,895	568,342,809
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	608,453	-	608,453
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	789,487	4,697	794,184
Deferred outflows of resources related to pensions	72,235,105	190,830	72,425,935
Total Deferred Outflows of Resources	73,633,045	195,527	73,828,572
LIABILITIES			
Accounts payable	25,528,850	21,682	25,550,532
Accrued interest payable	1,642,854	-	1,642,854
Unearned revenue	729,472	15,033	744,505
Long-term obligations:			
Current portion of long-term obligations other than pensions	19,400,626	-	19,400,626
Noncurrent portion of long-term obligations other than pensions	354,058,037	85,596	354,143,633
Total Long-Term Obligations	373,458,663	85,596	373,544,259
Aggregate net pension liability	251,974,502	672,933	252,647,435
Total Liabilities	653,334,341	795,244	654,129,585
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to net other postemployment benefits (OPEB) liability	987,832	3,280	991,112
Deferred inflows of resources related to pensions	12,371,298	15,898	12,387,196
Total Deferred Inflows of Resources	13,359,130	19,178	13,378,308
NET POSITION			
Net investment in capital assets	180,381,856	-	180,381,856
Restricted for:			
Debt service	25,628,014	-	25,628,014
Capital projects	545	-	545
Educational programs	1,350,058	-	1,350,058
Other activities	22,323,752	-	22,323,752
Unrestricted (deficit)	(255,020,737)	-	(255,020,737)
Total Net Position (deficit)	\$ (25,336,512)	\$ -	\$ (25,336,512)

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, 2019

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 158,513,491	\$ 79,474	\$ 31,501,108
Instruction-related activities:			
Supervision of instruction	16,244,106	21,351	5,230,288
Instructional library, media, and technology	2,667,362	-	335,514
School site administration	19,072,483	19,435	2,148,143
Pupil services:			
Home-to-school transportation	7,041,399	-	449,124
Food services	11,988,909	1,464,439	8,462,047
All other pupil services	16,641,815	8,636	3,222,549
Administration:			
Data processing	3,433,291	-	112,675
All other administration	10,329,394	79,089	1,816,571
Plant services	27,401,577	24,860	1,342,993
Ancillary services	1,166,053	-	38,249
Enterprise services	482,833	-	4,192
Interest on long-term obligations	12,245,257	-	-
Other outgo	1,878,292	-	410,192
Depreciation (unallocated) ¹	9,438,033	-	-
Total Governmental Activities	298,544,295	1,697,284	55,073,645
Business-Type Activities			
Enterprise services	855,529	958,031	1,076
Total School District	\$ 299,399,824	\$ 2,655,315	\$ 55,074,721
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			
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
\$ (126,932,909)	\$ -	\$ (126,932,909)
(10,992,467)	-	(10,992,467)
(2,331,848)	-	(2,331,848)
(16,904,905)	-	(16,904,905)
(6,592,275)	-	(6,592,275)
(2,062,423)	-	(2,062,423)
(13,410,630)	-	(13,410,630)
(3,320,616)	-	(3,320,616)
(8,433,734)	-	(8,433,734)
(26,033,724)	-	(26,033,724)
(1,127,804)	-	(1,127,804)
(478,641)	-	(478,641)
(12,245,257)	-	(12,245,257)
(1,468,100)	-	(1,468,100)
(9,438,033)	-	(9,438,033)
(241,773,366)	-	(241,773,366)
-	103,578	103,578
(241,773,366)	103,578	(241,669,788)
34,427,074	-	34,427,074
18,514,499	-	18,514,499
1,189,365	-	1,189,365
156,537,915	-	156,537,915
1,384,226	13,943	1,398,169
21,563,755	-	21,563,755
233,616,834	13,943	233,630,777
122,736	(122,736)	-
(8,033,796)	(5,215)	(8,039,011)
(17,302,716)	5,215	(17,297,501)
\$ (25,336,512)	\$ -	\$ (25,336,512)

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2019

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Deposits and investments	\$ 46,648,234	\$ 87,770,975	\$ 24,851,553	\$ 12,029,487	\$ 171,300,249
Receivables	6,767,336	195,083	-	5,898,819	12,861,238
Due from other funds	823,713	-	-	-	823,713
Prepaid expenditures	147,534	-	-	-	147,534
Stores inventories	67,679	-	-	187,632	255,311
Total Assets	\$ 54,454,496	\$ 87,966,058	\$ 24,851,553	\$ 18,115,938	\$ 185,388,045
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 12,683,010	\$ 4,460,521	\$ -	\$ 1,626,596	\$ 18,770,127
Due to other funds	-	-	-	823,713	823,713
Unearned revenue	715,794	-	-	13,678	729,472
Total Liabilities	13,398,804	4,460,521	-	2,463,987	20,323,312
Fund Balances:					
Nonspendable	340,213	-	-	187,632	527,845
Restricted	1,350,058	83,505,537	24,851,553	9,443,207	119,150,355
Assigned	6,454,486	-	-	6,021,112	12,475,598
Unassigned	32,910,935	-	-	-	32,910,935
Total Fund Balances	41,055,692	83,505,537	24,851,553	15,651,951	165,064,733
Total Liabilities and Fund Balances	\$ 54,454,496	\$ 87,966,058	\$ 24,851,553	\$ 18,115,938	\$ 185,388,045

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, 2019

Total Fund Balance - Governmental Funds		\$ 165,064,733
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:	\$ 487,351,738	
Accumulated depreciation is:	<u>(137,753,735)</u>	
Net Capital Assets		349,598,003
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.		(1,642,854)
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.		15,300,405
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.		608,453
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.		789,487
Deferred inflows of resources related to OPEB 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 OPEB at year-end consist of:		
Differences between expected and actual experience in the measurement of the total OPEB liability	(472,812)	
Changes of assumptions	<u>(515,020)</u>	
Total Deferred Inflows of Resources Related to OPEB		(987,832)
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	23,807,964	
Net change in proportionate share of net pension liability	7,321,511	
Differences between projected and actual earnings on pension plan investments	638,480	
Differences between expected and actual experience in the measurement of the total pension liability	5,643,022	
Changes of assumptions	<u>34,824,128</u>	
Total Deferred Outflows of Resources Related to Pensions		72,235,105

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, (Continued) JUNE 30, 2019

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	\$ (3,136,731)	
Differences between projected and actual earnings on pension plan investments	(6,705,197)	
Differences between expected and actual experience in the measurement of the total pension liability	<u>(2,529,370)</u>	
Total Deferred Inflows of Resources Related to Pensions		\$ (12,371,298)

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds. (251,974,502)

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	(237,428,833)	
Unamortized premium on bond issuance	(13,026,139)	
Certificates of Participation (QZAB program)	(2,770,165)	
Capital leases	(105,000)	
Compensated absences	(3,102,431)	
Net other postemployment benefits (OPEB) liability	(27,076,979)	
In addition, the District has issued "capital appreciation" general obligation bonds. The accretion of interest on the general obligation bonds to date is:	<u>(78,446,665)</u>	

Total Long-Term Obligations		<u>(361,956,212)</u>
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Total Net Position - Governmental Activities		<u><u>\$ (25,336,512)</u></u>
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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, 2019

	General Fund	Building Fund	Bond Interest and Redemption Fund
REVENUES			
Local control funding formula	\$ 182,345,782	\$ -	\$ -
Federal sources	11,293,368	-	-
Other State sources	42,867,426	-	142,093
Other local sources	2,562,160	919,129	18,665,020
Total Revenues	239,068,736	919,129	18,807,113
EXPENDITURES			
Current			
Instruction	142,483,550	-	-
Instruction-related activities:			
Supervision of instruction	14,058,039	-	-
Instructional library, media, and technology	2,536,533	-	-
School site administration	14,658,816	-	-
Pupil services:			
Home-to-school transportation	7,900,365	-	-
Food services	69,400	-	-
All other pupil services	15,207,871	-	-
Administration:			
Data processing	3,225,086	-	-
All other administration	9,121,271	-	-
Plant services	24,050,544	397,518	-
Ancillary services	1,137,574	-	-
Other outgo	1,423,904	454,388	-
Enterprise services	-	-	-
Facility acquisition and construction	4,115,637	32,694,987	-
Debt service			
Principal	-	-	15,960,000
Interest and other	-	-	4,028,324
Total Expenditures	239,988,590	33,546,893	19,988,324
Deficiency of Revenues			
Over Expenditures	(919,854)	(32,627,764)	(1,181,211)
Other Financing Sources (Uses)			
Transfers in	10,000	-	-
Other sources - proceeds from issuance of bonds	-	60,000,000	-
Other sources - premium from issuance of bonds	-	-	4,342,516
Transfers out	(949,043)	-	-
Net Financing Sources (Uses)	(939,043)	60,000,000	4,342,516
NET CHANGE IN FUND BALANCES	(1,858,897)	27,372,236	3,161,305
Fund Balances - Beginning	42,914,589	56,133,301	21,690,248
Fund Balances - Ending	\$ 41,055,692	\$ 83,505,537	\$ 24,851,553

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

Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 182,345,782
19,908,706	31,202,074
9,241,354	52,250,873
6,050,597	28,196,906
<u>35,200,657</u>	<u>293,995,635</u>
10,162,793	152,646,343
1,452,887	15,510,926
6,455	2,542,988
3,648,587	18,307,403
-	7,900,365
11,695,048	11,764,448
752,388	15,960,259
-	3,225,086
714,870	9,836,141
1,884,879	26,332,941
-	1,137,574
-	1,878,292
419,448	419,448
10,246,070	47,056,694
21,000	15,981,000
-	4,028,324
<u>41,004,425</u>	<u>334,528,232</u>
<u>(5,803,768)</u>	<u>(40,532,597)</u>
1,061,779	1,071,779
-	60,000,000
-	4,342,516
-	(949,043)
<u>1,061,779</u>	<u>64,465,252</u>
(4,741,989)	23,932,655
20,393,940	141,132,078
<u>\$ 15,651,951</u>	<u>\$ 165,064,733</u>

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Total Net Change in Fund Balances - Governmental Funds

Amounts Reported for Governmental Activities in the Statement of

Activities are Different Because:

\$ 23,932,655

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

\$ 48,802,644

Depreciation expense

(9,438,033)

Net Expense Adjustment

39,364,611

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 \$249,548.

(249,548)

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.

(12,501,258)

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.

(2,021,679)

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

(60,000,000)

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:

Premium on issuance

(4,342,516)

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, (Continued) FOR THE YEAR ENDED JUNE 30, 2019

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	\$ 15,960,000	
Capital lease obligations	<u>21,000</u>	
Combined Adjustment		\$ 15,981,000

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	(35,582)	
Amortization of premium on issuance	<u>539,182</u>	
Combined Adjustment		503,600

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds and the certificates of participation decreased by \$36,234 and second, \$8,756,767 of accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

(8,720,533)

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.

19,872

Change in Net Position of Governmental Activities

\$ (8,033,796)

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, 2019

	Business-Type Activities Enterprise Fund Child Care Enterprise	Governmental Activities - Internal Service Fund
ASSETS		
Current Assets		
Deposits and investments	\$ 602,245	\$ 31,393,661
Receivables	16,650	156,945
Prepaid expenses	-	2,010,973
Total Current Assets	618,895	33,561,579
Noncurrent Assets		
Furniture and equipment	12,795	-
Less: accumulated depreciation	(12,795)	-
Total Capital Assets	-	-
Total Assets	618,895	33,561,579
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	4,697	-
Deferred outflows of resources related to pensions	190,830	-
Total Deferred Outflows of Resources	195,527	-
LIABILITIES		
Current Liabilities		
Accounts payable	21,682	6,758,723
Unearned revenue	15,033	-
Current portion of SELF assessment	-	45,044
Current portion of claims liability	-	3,044,582
Aggregate net pension liability	672,933	-
Total Current Liabilities	709,648	9,848,349
Noncurrent Liabilities		
Noncurrent portion of long-term obligations other than pensions	85,596	8,412,825
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to net other postemployment benefits (OPEB) liability	3,280	-
Deferred inflows of resources related to pensions	15,898	-
Total Deferred Inflows of Resources	19,178	-
NET POSITION		
Restricted	-	15,300,405
Total Net Position	\$ -	\$ 15,300,405

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, 2019

	Business-Type Activities Enterprise Fund Child Care Enterprise	Governmental Activities - Internal Service Fund
OPERATING REVENUES		
Local and intermediate sources	\$ 958,031	\$ 32,524,040
OPERATING EXPENSES		
Payroll costs	722,726	227,640
Professional and contract services	54,947	32,834,230
Supplies and materials	77,856	16,942
Total Operating Expenses	855,529	33,078,812
Operating Income (Loss)	102,502	(554,772)
NONOPERATING REVENUES		
Interest income	13,943	574,644
Grants	1,076	-
Total Nonoperating Revenues	15,019	574,644
Income Before Transfers	117,521	19,872
Transfers out	(122,736)	-
Change in Net Position	(5,215)	19,872
Total Net Position - Beginning	5,215	15,280,533
Total Net Position - Ending	\$ -	\$ 15,300,405

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, 2019

	Business-Type Activities <u>Enterprise Fund</u> Child Care Enterprise	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 935,289	\$ -
Cash received from assessments made to other funds	-	32,523,976
Cash payments to employees for services	(630,767)	(227,640)
Cash payments to suppliers of goods or services	(75,673)	(32,650,811)
Other operating cash payments	(54,947)	(1,218)
Net Cash Provided (Used for) by Operating Activities	<u>173,902</u>	<u>(355,693)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers out	(122,736)	-
Non-operating grants received	1,076	-
Net Cash Used for Noncapital Financing Activities	<u>(121,660)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	13,422	567,641
Net Increase in Cash and Cash Equivalents	65,664	211,948
Cash and Cash Equivalents - Beginning	536,581	31,181,713
Cash and Cash Equivalents - Ending	<u>\$ 602,245</u>	<u>\$ 31,393,661</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 102,502	\$ (554,772)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities		
Changes in assets and liabilities:		
Receivables	(8,078)	(64)
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	(2,193)	-
Deferred outflows of resources related to pensions	(19,660)	-
Prepaid expenses	5,646	(87,786)
Accounts payable	(3,463)	159,792
Unearned revenue	(14,664)	-
Deferred inflows of resources related to net other postemployment benefits (OPEB) liability	3,280	-
Deferred inflows of resources related to pensions	(34,671)	-
Claims liability and self workers' compensation assessment	-	127,137
Net other postemployment benefits (OPEB) liability	1,230	-
Net pension liability	143,973	-
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 173,902</u>	<u>\$ (355,693)</u>

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, 2019

	Scholarship Trust	Scholarship Trust	Total Fiduciary Funds
ASSETS			
Deposits and investments	\$ 811,875	\$ 2,593,713	\$ 3,405,588
Receivables	4,446	-	4,446
Total Assets	<u>816,321</u>	<u>2,593,713</u>	<u>\$ 3,410,034</u>
LIABILITIES			
Accounts payable	679,287	26,196	705,483
Due to student groups	-	786,335	786,335
Due to employees	-	1,781,182	1,781,182
Total Liabilities	<u>679,287</u>	<u>2,593,713</u>	<u>\$ 3,273,000</u>
NET POSITION			
Restricted	<u>\$ 137,034</u>	<u>\$ -</u>	<u>\$ 137,034</u>

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS STATEMENT OF CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2019

	Scholarship Trust
ADDITIONS	
Other local sources	\$ 15,317
Interest	20,223
Total Additions	<u>35,540</u>
DEDUCTIONS	
Other expenditures	<u>700,066</u>
Change in Net Position	(664,526)
Net Position - Beginning	801,560
Net Position - Ending	<u><u>\$ 137,034</u></u>

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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.

Two funds 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 15, Pupil Transportation Equipment Fund, and Fund 20, Special Reserve Fund for Postemployment Benefits, is not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as an extension of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of \$5,927,034, a decrease in revenues and other financing sources of \$670,371, and a decrease in expenditures and other financing uses of \$686,589, as of June 30, 2019.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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*).

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

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

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

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

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

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

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District operates a trust fund for the Paul and Estelle Fincik Scholarship Fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for associated student body (ASB) activities and for voluntary payroll withholdings of the District's employees.

Basis of Accounting - Measurement Focus

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

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

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

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

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

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

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

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

Cash and Cash Equivalents

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Investments

Investments held at June 30, 2019, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Prepaid Expenditures (Expenses)

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

Stores Inventories

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

Capital Assets and Depreciation

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

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

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

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

Interfund Balances

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund Statement of Net Position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 and for OPEB 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, 2019, 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.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 \$49,302,369 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.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 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.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

The District has implemented the provisions of this Statement as of June 30, 2019.

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 District has implemented the provisions of this Statement as of June 30, 2019.

New Accounting Pronouncements

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 the 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.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 202,693,910
Business-type activities	602,245
Fiduciary funds	3,405,588
Total Deposits and Investments	<u>\$ 206,701,743</u>

Deposits and investments as of June 30, 2019, consist of the following:

Cash on hand and in banks	\$ 812,531
Cash in revolving	400,000
Investments	205,489,212
Total Deposits and Investments	<u>\$ 206,701,743</u>

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Authorized Under Debt Agreements

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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	\$ 203,069,897	547
First American Treasury Obligations Money Market Mutual Funds	1,754	17
Santander UK plc	2,417,561	7/1/2019
Total	<u>\$ 205,489,212</u>	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Los Angeles County Investment Pool is not required to be rated, nor has it been rated as of June 30, 2019. The First American Treasury Obligations Money Market Mutual Fund has been rated Aaa-mf by Moody's rating services. The investment in Santander UK plc 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, 2019, the District's cash in banks were either insured or collateralized by securities held by the pledging financial institution's trust department, but not in the name of the District.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019:

Investment Type	Reported Amount	Fair Value Measurements Using	
		Level 2 Inputs	Uncategorized
Los Angeles County Investment Pool	\$ 203,069,897	\$ -	\$ 203,069,897
First American Treasury Obligations			
Money Market Mutual Funds	1,754	1,754	-
Santander UK plc	2,417,561	2,417,561	-
Total	<u>\$ 205,489,212</u>	<u>\$ 2,419,315</u>	<u>\$ 203,069,897</u>

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 4 - RECEIVABLES

Receivables at June 30, 2019, 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	\$ 4,615,006	\$ -	\$ 2,907,959	\$ -	\$ 7,522,965
State Government					
Other Categorical aid	145,712	-	2,780,388	-	2,926,100
Special Education	270,449	-	-	-	270,449
Lottery	829,072	-	-	-	829,072
Local Government					
Interest	225,778	194,980	67,688	156,745	645,191
Other Local Sources	681,319	103	142,784	200	824,406
Total	<u>\$ 6,767,336</u>	<u>\$ 195,083</u>	<u>\$ 5,898,819</u>	<u>\$ 156,945</u>	<u>\$ 13,018,183</u>

	Enterprise Fund	Fiduciary Funds
Federal Government		
Categorical aid	\$ -	\$ -
State Government		
Other Categorical aid	-	-
Special Education	-	-
Lottery	-	-
Local Government		
Interest	4,083	4,446
Other Local Sources	12,567	-
Total	<u>\$ 16,650</u>	<u>\$ 4,446</u>

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 9,278,310	\$ -	\$ -	\$ 9,278,310
Construction in Progress	34,368,538	41,794,227	3,799,027	72,363,738
Total Capital Assets Not Being Depreciated	43,646,848	41,794,227	3,799,027	81,642,048
Capital Assets Being Depreciated:				
Land Improvements	12,212,087	1,813,732	-	14,025,819
Buildings and Improvements	359,666,366	2,876,388	-	362,542,754
Furniture and Equipment	23,054,325	6,117,324	30,532	29,141,117
Total Capital Assets Being Depreciated	394,932,778	10,807,444	30,532	405,709,690
Total Capital Assets	438,579,626	52,601,671	3,829,559	487,351,738
Less Accumulated Depreciation:				
Land Improvements	6,063,770	450,884	-	6,514,654
Buildings and Improvements	105,495,602	7,130,931	-	112,626,533
Furniture and Equipment	16,786,862	1,856,218	30,532	18,612,548
Total Accumulated Depreciation	128,346,234	9,438,033	30,532	137,753,735
Governmental Activities Capital Assets, Net	\$ 310,233,392	\$ 43,163,638	\$ 3,799,027	\$ 349,598,003
				-
Business-Type Activities				
Furniture and Equipment	\$ 12,795	\$ -	\$ -	\$ 12,795
Less Accumulated Depreciation	12,795	-	-	12,795
Business-Type Activities Capital Assets, Net	\$ -	\$ -	\$ -	\$ -

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019, 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.

\$ 823,713

Operating Transfers

Interfund transfers for the year ended June 30, 2019, consisted of the following:

Transfer To	Transfer From		Total
	General Fund	Enterprise Fund	
General Fund	\$ -	\$ 10,000	\$ 10,000
Non-Major Governmental Funds	949,043	112,736	1,061,779
Total	<u>\$ 949,043</u>	<u>\$ 122,736</u>	<u>\$ 1,071,779</u>

The General Fund transferred to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects for future capital equipment purchases.

\$ 150,000

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.

10,000

The Child Care Enterprise Fund transferred to the Deferred Maintenance Non-Major Governmental Fund for deferred maintenance projects.

112,736

Total

\$ 1,071,779

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Salaries and benefits	\$ 3,792,913	\$ 194	\$ 225,636	\$ 6,665,583	\$ 10,684,326
LCFF apportionment	4,541,982	-	-	-	4,541,982
Supplies	488,268	56,393	199,960	-	744,621
Services	1,806,827	344,064	137,814	34,568	2,323,273
Construction	1,403,830	4,059,870	1,063,160	-	6,526,860
Due to other LEAs	481,005	-	-	-	481,005
Other vendor payables	168,185	-	26	58,572	226,783
Total	<u>\$ 12,683,010</u>	<u>\$ 4,460,521</u>	<u>\$ 1,626,596</u>	<u>\$ 6,758,723</u>	<u>\$ 25,528,850</u>

	Enterprise Fund	Fiduciary Funds
Salaries and benefits	\$ 16,130	\$ -
LCFF apportionment	-	-
Supplies	2,845	-
Services	2,662	-
Construction	-	-
Due to other LEAs	-	679,211
Other vendor payables	45	26,272
Total	<u>\$ 21,682</u>	<u>\$ 705,483</u>

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2019, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities	Enterprise Fund
Federal financial assistance	\$ 150,600	\$ -	\$ 150,600	\$ -
State categorical aid	307,314	-	307,314	-
Other local	257,880	13,678	271,558	15,033
Total	<u>\$ 715,794</u>	<u>\$ 13,678</u>	<u>\$ 729,472</u>	<u>\$ 15,033</u>

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
Governmental Activities					
General obligation bonds	\$ 263,078,731	\$ 68,756,767	\$ 15,960,000	\$ 315,875,498	\$ 16,290,000
Premium on issuance	9,222,805	4,342,516	539,182	13,026,139	-
Certificates of Participation (Qualified Academy Zone Bonds)	2,770,165	-	-	2,770,165	-
Capital lease	126,000	-	21,000	105,000	21,000
Compensated absences	2,852,883	249,548	-	3,102,431	-
Claims liability	11,152,961	3,216,763	3,044,582	11,325,142	3,044,582
SELF workers' compensation assessment	222,353	-	45,044	177,309	45,044
Net other postemployment benefits (OPEB) liability	26,007,671	2,997,692	1,928,384	27,076,979	-
Total	<u>\$ 315,433,569</u>	<u>\$ 79,563,286</u>	<u>\$ 21,538,192</u>	<u>\$ 373,458,663</u>	<u>\$ 19,400,626</u>
Business-Type Activities					
Net other postemployment benefits (OPEB) liability	<u>\$ 84,366</u>	<u>\$ 7,292</u>	<u>\$ 6,062</u>	<u>\$ 85,596</u>	<u>\$ -</u>

Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund with local revenues. 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.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2018	Issued	Accreted	Redeemed	Bonds Outstanding June 30, 2019
04/20/05	08/01/29	3.00-5.31%	\$ 44,995,644	\$ 78,145,927	\$ -	\$ 4,002,253	\$ 885,000	\$ 81,263,180
11/27/07	08/01/32	3.50-5.22%	29,200,602	22,291,408	-	1,144,958	-	23,436,366
07/14/09	02/01/34	6.16-7.36%	9,410,103	17,764,266	-	1,297,214	-	19,061,480
07/14/09	08/01/21	1.28-4.68%	13,580,000	5,410,000	-	-	1,620,000	3,790,000
10/08/09	08/01/38	5.50-6.47%	21,392,349	35,757,130	-	2,312,342	-	38,069,472
01/30/13	08/01/19	2.00-4.00%	11,630,000	6,130,000	-	-	2,925,000	3,205,000
05/20/14	08/01/19	0.45-2.53%	15,115,000	7,760,000	-	-	3,740,000	4,020,000
11/19/15	08/01/45	2.00-5.00%	24,000,000	11,400,000	-	-	6,410,000	4,990,000
11/19/15	08/01/25	2.00-5.00%	7,855,000	7,710,000	-	-	365,000	7,345,000
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	-	-	15,000	1,445,000
06/07/18	08/01/47	3.00-5.00%	10,250,000	10,250,000	-	-	-	10,250,000
06/27/19	08/01/48	3.00-5.00%	60,000,000	-	60,000,000	-	-	60,000,000
				<u>\$ 263,078,731</u>	<u>\$ 60,000,000</u>	<u>\$ 8,756,767</u>	<u>\$ 15,960,000</u>	<u>\$ 315,875,498</u>

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 ranging from 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, 2019, the principal balance outstanding of the 2002 General Obligation Bonds, Series 2005B was \$81,263,180. Unamortized premium received on issuance of the bonds amounted to \$271,252 as of June 30, 2019.

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 ranging from 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, 2019, the principal balance outstanding of the 2002 General Obligation Bonds, Series 2007C was \$23,436,366. Unamortized premium received on issuance of the bonds amounted to \$350,096 as of June 30, 2019.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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 ranging from 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, 2019, the principal balance outstanding of the 2002 General Obligation Bonds, Series 2009D was \$19,061,480. Unamortized premium received on issuance of the bonds amounted to \$263,517 as of June 30, 2019.

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 ranging 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, 2019, the principal balance outstanding on the 2009 General Obligation Refunding Bonds was \$3,790,000. Unamortized premium received on issuance of the bonds amounted to \$50,511 as of June 30, 2019.

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 ranging from 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, 2019, the principal balance outstanding on the 2002 General Obligation Bonds, Series 2009E was \$38,069,472. Unamortized premium received on issuance of the bonds amounted to \$812,531 as of June 30, 2019.

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 ranging 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, 2019, the principal balance outstanding on the 2013 General Obligation Refunding Bonds, Series A was \$3,205,000.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 ranging 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, 2019, the principal balance outstanding on the 2014 General Obligation Refunding Bonds was \$4,020,000.

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 ranging 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, 2019, the principal balance outstanding on the 2014 General Obligation Bonds, Series A was \$4,990,000. Unamortized premium received on issuance of the bonds amounted to \$905,564 as of June 30, 2019.

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 ranging 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, 2019, the principal balance outstanding on the 2015 General Obligation Refunding Bonds was \$7,345,000. Unamortized premium received on issuance of the bonds amounted to \$895,778 as of June 30, 2019.

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 ranging 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, 2019, 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 \$4,183,093 as of June 30, 2019.

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 ranging 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. At June 30, 2019, the principal balance outstanding on the 2017 General Obligation Refunding Bonds was \$1,445,000. Unamortized premium received on issuance of the bonds amounted to \$71,649 as of June 30, 2019.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 ranging 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, 2019, 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 \$892,111 as of June 30, 2019.

2014 General Obligation Bonds, Series D

On June 27, 2019, the District issued \$60,000,000 of 2014 General Obligation Bonds, Series D. The Bonds have a final maturity to occur on August 1, 2048, with interest rates ranging 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, 2019, the principal balance outstanding on the 2014 General Obligation Bonds, Series D was \$60,000,000. Unamortized premium received on issuance of the bonds amounted to \$4,330,037 as of June 30, 2019.

Debt Service Requirements to Maturity

The bonds mature through 2048 as follows:

<u>Fiscal Year</u>	<u>Principal Including Accreted Interest to Date</u>	<u>Accreted Interest</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2020	\$ 16,290,000	\$ -	\$ 4,908,836	\$ 21,198,836
2021	16,296,850	203,150	5,573,533	22,073,533
2022	15,992,981	832,019	5,511,781	22,336,781
2023	14,646,563	1,623,437	5,646,969	21,916,969
2024	11,040,053	2,219,947	5,507,369	18,767,369
2025-2029	56,501,357	20,073,643	25,696,956	102,271,956
2030-2034	61,806,393	54,331,974	21,186,053	137,324,420
2035-2039	45,451,301	45,326,182	17,773,820	108,551,303
2040-2044	37,405,000	-	12,043,000	49,448,000
2045-2048	40,445,000	-	3,957,250	44,402,250
Total	<u>\$ 315,875,498</u>	<u>\$ 124,610,352</u>	<u>\$ 107,805,567</u>	<u>\$ 548,291,417</u>

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019, 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:

Balance, June 30, 2018	\$ 126,000
Payments	(21,000)
Balance, June 30, 2019	<u>\$ 105,000</u>

Future payments on capital leases are as follows:

Year Ending June 30,	Lease Payment
2020	\$ 21,000
2021	21,000
2022	21,000
2023	21,000
2024	21,000
Total	<u>\$ 105,000</u>

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2019, amounted to \$3,102,431.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019, amounted to \$11,325,142.

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, 2019, the District's outstanding obligation to their pro-rata share of equity assessed was \$177,309.

Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 25,860,887	\$ 794,184	\$ 991,112	\$ 2,124,735
Medicare Premium Payment (MPP) Program	1,301,688	-	-	(103,056)
Total	<u>\$ 27,162,575</u>	<u>\$ 794,184</u>	<u>\$ 991,112</u>	<u>\$ 2,021,679</u>

The details of each plan are as follows:

District Plan

Plan Administration

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Plan Membership

At June 30, 2018, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	188
Active employees	<u>1,892</u>
	<u>2,080</u>

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 the measurement period 2017-2018, the District paid \$758,366 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of \$25,860,887 was measured as of June 30, 2018. The total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 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	3.80 percent
Healthcare cost trend rates	4.00 percent

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2018.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	\$ 24,687,293
Service cost	2,117,150
Interest	887,834
Differences between expected and actual experience in the measurement of the total OPEB liability	(513,588)
Changes of assumptions	(559,436)
Benefit payments	(758,366)
Net change in total OPEB liability	1,173,594
Balance at June 30, 2018	\$ 25,860,887

Changes of assumptions reflect a change in the discount rate from 3.50 percent to 3.80 percent.

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 (2.8%)	\$ 27,772,609
Current discount rate (3.8%)	25,860,887
1% increase (4.8%)	24,087,283

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%)	\$ 24,500,287
Current healthcare cost trend rate (4.0%)	25,860,887
1% increase (5.0%)	26,994,222

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$2,124,735. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 794,184	\$ -
Differences between expected and actual experience in the measurement of the total OPEB liability	-	474,382
Changes of assumptions	-	516,730
Total	<u>\$ 794,184</u>	<u>\$ 991,112</u>

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.

The deferred inflows of resources related to the differences between expected and actual experience in the measurement of the total OPEB liability and the changes of assumptions will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2020	\$ (81,912)
2021	(81,912)
2022	(81,912)
2023	(81,912)
2024	(81,912)
Thereafter	(581,552)
	<u>\$ (991,112)</u>

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2017 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, 2019, the District reported a liability of \$1,301,688 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 20, 2017. 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, 2018 and June 30, 2017, respectively, was 0.3401 percent, and 0.3339 percent, resulting in a net increase in the proportionate share of 0.0062 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of \$(103,056).

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Actuarial Methods and Assumptions

The June 30, 2018 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018, using the assumptions listed in the following table:

Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.87%	3.58%
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, 2017, 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 our 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 459 or an average of 0.27 percent of the potentially eligible population (171,593).

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, 2018, 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.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2018, is 3.87 percent. 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 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

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 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	Net OPEB Liability
1% decrease (2.87%)	\$ 1,439,733
Current discount rate (3.87%)	1,301,688
1% increase (4.87%)	1,177,045

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 Medicare costs trend rates, as well as what the net OPEB 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)	\$ 1,187,009
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	1,301,688
1% increase (4.7% Part A and 5.1% Part B)	1,425,025

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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	67,679	-	-	187,632	255,311
Prepaid expenditures	147,534	-	-	-	147,534
Total Nonspendable	340,213	-	-	187,632	527,845
Restricted					
Legally restricted	1,350,058	-	-	7,023,347	8,373,405
Capital projects	-	83,505,537	-	545	83,506,082
Debt services	-	-	24,851,553	2,419,315	27,270,868
Total Restricted	1,350,058	83,505,537	24,851,553	9,443,207	119,150,355
Assigned					
School site supply					
allocation carryover	527,452	-	-	-	527,452
Postemployment benefits	5,927,034	-	-	-	5,927,034
Capital projects	-	-	-	6,021,112	6,021,112
Total Assigned	6,454,486	-	-	6,021,112	12,475,598
Unassigned					
Reserve for economic					
uncertainties	6,968,067	-	-	-	6,968,067
Remaining unassigned	25,942,868	-	-	-	25,942,868
Total Unassigned	32,910,935	-	-	-	32,910,935
Total	\$ 41,055,692	\$ 83,505,537	\$ 24,851,553	\$ 15,651,951	\$ 165,064,733

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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
2020	\$ 1,480,160
2021	1,050,885
2022	361,501
2023	180,751
Total	<u>\$ 3,073,297</u>

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, 2019, 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.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2017 to June 30, 2019:

	Workers' Compensation	Property and Liability	Total
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
Claims and changes in estimates	3,149,820	66,943	3,216,763
Claims payments	(2,985,381)	(59,201)	(3,044,582)
Liability Balance, June 30, 2019	\$ 10,885,242	\$ 439,900	\$ 11,325,142
Assets available to pay claims at June 30, 2019	\$ 26,811,971	\$ 917,609	\$ 27,729,580

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019, 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	\$ 174,132,397	\$ 50,109,500	\$ 10,532,269	\$ 21,360,175
CalPERS	78,515,038	22,316,435	1,854,927	15,100,751
Total	<u>\$ 252,647,435</u>	<u>\$ 72,425,935</u>	<u>\$ 12,387,196</u>	<u>\$ 36,460,926</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by 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, 2017, 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.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required State contribution rate	9.828%	9.828%

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the District's total contributions were \$16,580,046.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

At June 30, 2019, 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	\$ 174,132,397
State's proportionate share of the net pension liability associated with the District	99,698,941
Total	<u>\$ 273,831,338</u>

The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, respectively, was 0.1895 percent and 0.1844 percent, resulting in a net increase in the proportionate share of 0.0051 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$21,360,175. In addition, the District recognized pension expense and revenue of \$11,712,377 for support provided by the State. At June 30, 2019, 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	\$ 16,580,046	\$ -
Net change in proportionate share of net pension liability	5,937,539	1,297,702
Difference between projected and actual earnings on pension plan investments	-	6,705,197
Differences between expected and actual experience in the measurement of the total pension liability	539,978	2,529,370
Changes of assumptions	27,051,937	-
Total	<u>\$ 50,109,500</u>	<u>\$ 10,532,269</u>

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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
2020	\$ 1,455,887
2021	(1,056,431)
2022	(5,625,399)
2023	(1,479,254)
Total	<u>\$ (6,705,197)</u>

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
2020	\$ 5,710,927
2021	5,710,927
2022	5,710,926
2023	5,687,603
2024	6,338,859
Thereafter	543,140
Total	<u>\$ 29,702,382</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017 and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
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%

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2018, 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%)	\$ 255,083,585
Current discount rate (7.10%)	174,132,397
1% increase (8.10%)	107,016,007

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2017 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, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019, are presented above and the total District contributions were \$7,289,980.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$78,515,038. The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, respectively was 0.2945 percent and 0.3075 percent, resulting in a net decrease in the proportionate share of 0.0130 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$15,100,751. At June 30, 2019, 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	\$ 7,289,980	\$ -
Net change in proportionate share of net pension liability	1,395,916	1,854,927
Difference between projected and actual earnings on pension plan investments	644,000	-
Differences between expected and actual experience in the measurement of the total pension liability	5,147,159	-
Changes of assumptions	7,839,380	-
Total	<u>\$ 22,316,435</u>	<u>\$ 1,854,927</u>

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

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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
2020	\$ 2,342,368
2021	560,156
2022	(1,795,096)
2023	(463,428)
Total	<u>\$ 644,000</u>

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 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 5,980,941
2021	5,469,508
2022	1,077,079
Total	<u>\$ 12,527,528</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017 and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

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%)	\$ 114,314,140
Current discount rate (7.15%)	78,515,038
1% increase (8.15%)	48,814,557

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 \$298,650 in the 2018-2019 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 \$9,201,598 (9.828 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves, but have not been included in the original budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018–2019 contribution on behalf of school employers of \$2.246 billion for CalSTRS and \$904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund – Budgetary Comparison Schedule*.

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, 2019.

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, 2019.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Construction Commitments

As of June 30, 2019, 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	\$ 344,423	September 2019
Corvallis MS Landscape & Irrigation Renovation Phase 1A	56,215	July 2019
Gardenhill ES Mod/HVAC Addition Project Phase 1A	95,102	September 2019
Glenn HS New Synthetic Turf Sports Fields & Accessory Bldgs.	1,570,996	October 2019
Hutchinson MS Mod/HVAC Addition Project Phase 1A	35,581	September 2019
La Mirada HS Gym & Locker Room Renovation/Expansion Phase 1A	34,892	March 2020
Los Alisos MS Mod/HVAC Addition Project Phase 1A	2,506,479	December 2019
Morrison ES Mod/HVAC Addition Project Phase 1A	3,292,471	December 2019
La Mirada HS Campus-Wide Hard/Soft Scape Renovation	363,713	January 2022
Norwalk HS New Synthetic Turf Sports Fields & Accessory Bldgs.	1,587,493	December 2020
Norwalk HS Gym Mod & Weight Room Addition Phase	1,653,133	January 2022
Benton MS MPR Drama Room Light Bar Grid Project	17,961	August 2020
Excelsior HS Auditorium Renovations	14,181	September 2019
Gardenhill ES Marquee	5,977	February 2020
Morrison ES Electronic Marquee	6,994	February 2020
Morrison ES Shade Structures Project	261,592	December 2019
Norwalk HS Fire Water Services Loop Project	7,625	July 2019
Waite MS Electronic Marquee	6,054	February 2020
Norwalk Adult School Upgrade Project	2,148,897	April 2020
Norwalk Adult School Fire Alarm Upgrade Project	35,135	August 2020
Escalona ES Portable Classroom Project	4,119	September 2019
Hutchinson MS Portable Locker Rm/Classroom	225,751	June 2020
	<u>\$ 14,274,784</u>	

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, 2019, the District made payments of \$308,674 and \$3,425,971 to SELF and ASCIP, respectively.



REQUIRED SUPPLEMENTARY INFORMATION

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local Control Funding Formula	\$ 181,208,504	\$ 183,031,340	\$ 182,345,782	\$ (685,558)
Federal sources	10,575,604	11,201,361	11,293,368	92,007
Other State sources	34,422,440	33,195,639	42,867,426	9,671,787
Other local sources	1,654,639	2,108,003	2,562,160	454,157
Total Revenues ¹	227,861,187	229,536,343	239,068,736	9,532,393
EXPENDITURES				
Current				
Certificated salaries	97,936,681	100,951,281	100,517,591	433,690
Classified salaries	38,507,565	38,546,581	38,575,766	(29,185)
Employee benefits	57,907,278	59,975,769	68,903,298	(8,927,529)
Books and supplies	9,433,334	8,975,184	8,591,597	383,587
Services and operating expenditures	16,973,426	17,100,382	17,166,495	(66,113)
Other outgo	521,860	680,507	716,045	(35,538)
Capital outlay	2,329,839	3,320,779	5,517,798	(2,197,019)
Total Expenditures ¹	223,609,983	229,550,483	239,988,590	(10,438,107)
Excess (Deficiency) of Revenues Over Expenditures	4,251,204	(14,140)	(919,854)	(905,714)
Other Financing Sources (Uses)				
Transfers in	866,138	796,138	10,000	(786,138)
Transfers out	(2,961,244)	(2,961,244)	(949,043)	2,012,201
Net Other Financing Sources (Uses)	(2,095,106)	(2,165,106)	(939,043)	1,226,063
NET CHANGE IN FUND BALANCE	2,156,098	(2,179,246)	(1,858,897)	320,349
Fund Balance - Beginning	42,914,589	42,914,589	42,914,589	-
Fund Balance - Ending	\$ 45,070,687	\$ 40,735,343	\$ 41,055,692	\$ 320,349

¹ Due to the consolidation of Fund 15, Pupil Transportation Equipment Fund, and Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets. On behalf payments of \$9,355,306 relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

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, 2019

	2019	2018
Total OPEB Liability		
Service cost	\$ 2,117,150	\$ 2,005,340
Interest	887,834	812,326
Differences between expected and actual experience in the measurement of the total OPEB liability	(513,588)	-
Changes of assumptions	(559,436)	-
Benefit payments	(758,366)	(729,198)
Net change in total OPEB liability	<u>1,173,594</u>	<u>2,088,468</u>
Total OPEB liability - beginning	<u>24,687,293</u>	<u>22,598,825</u>
Total OPEB liability - ending	<u><u>\$ 25,860,887</u></u>	<u><u>\$ 24,687,293</u></u>
 Covered payroll	 <u>N/A¹</u>	 <u>N/A¹</u>
 District's total OPEB liability as a percentage of covered payroll	 <u>N/A¹</u>	 <u>N/A¹</u>

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

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

See accompanying note to required supplementary information.

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, 2019

Year ended June 30,	2019	2018
District's proportion of the net OPEB liability	0.3401%	0.3339%
District's proportionate share of the net OPEB liability	\$ 1,301,688	\$ 1,404,744
District's covered-employee payroll	N/A ¹	N/A ¹
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.40%	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, 2019

	2019	2018
CalSTRS		
District's proportion of the net pension liability	0.1895%	0.1844%
District's proportionate share of the net pension liability	\$ 174,132,397	\$ 170,562,493
State's proportionate share of the net pension liability associated with the District	99,698,941	100,903,330
Total	<u>\$ 273,831,338</u>	<u>\$ 271,465,823</u>
District's covered - employee payroll	<u>\$ 100,592,405</u>	<u>\$ 99,865,095</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	173%	171%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%
CalPERS		
District's proportion of the net pension liability	0.2945%	0.3075%
District's proportionate share of the net pension liability	\$ 78,515,038	\$ 73,407,676
District's covered - employee payroll	<u>\$ 39,636,430</u>	<u>\$ 39,124,071</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	198%	188%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%

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

See accompanying note to required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>0.1819%</u>	<u>0.1850%</u>	<u>0.1813%</u>
\$ 147,115,885	\$ 124,524,676	\$ 105,955,286
<u>83,750,449</u>	<u>65,859,826</u>	<u>63,980,377</u>
<u>\$ 230,866,334</u>	<u>\$ 190,384,502</u>	<u>\$ 169,935,663</u>
<u>\$ 91,741,538</u>	<u>\$ 89,594,302</u>	<u>\$ 81,438,009</u>
<u>160%</u>	<u>139%</u>	<u>130%</u>
<u>70%</u>	<u>74%</u>	<u>77%</u>
<u>0.2956%</u>	<u>0.2912%</u>	<u>0.2985%</u>
\$ 58,376,415	\$ 42,919,072	\$ 33,889,275
\$ 35,234,321	\$ 32,288,947	\$ 31,390,027
<u>166%</u>	<u>133%</u>	<u>108%</u>
<u>74%</u>	<u>79%</u>	<u>83%</u>

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
CalSTRS		
Contractually required contribution	\$ 16,580,046	\$ 14,515,484
Contributions in relation to the contractually required contribution	16,580,046	14,515,484
Contribution deficiency (excess)	\$ -	\$ -
District's covered - employee payroll	\$ 101,843,034	\$ 100,592,405
Contributions as a percentage of covered - employee payroll	16.28%	14.43%
CalPERS		
Contractually required contribution	\$ 7,289,980	\$ 6,155,934
Contributions in relation to the contractually required contribution	7,289,980	6,155,934
Contribution deficiency (excess)	\$ -	\$ -
District's covered - employee payroll	\$ 40,360,868	\$ 39,636,430
Contributions as a percentage of covered - employee payroll	18.062%	15.531%

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

See accompanying note to required supplementary information.

2017	2016	2015
\$ 12,563,029	\$ 9,843,867	\$ 7,955,974
12,563,029	9,843,867	7,955,974
\$ -	\$ -	\$ -
\$ 99,865,095	\$ 91,741,538	\$ 89,594,302
12.58%	10.73%	8.88%
\$ 5,433,551	\$ 4,174,210	\$ 3,800,732
5,433,551	4,174,210	3,800,732
\$ -	\$ -	\$ -
\$ 39,124,071	\$ 35,234,321	\$ 32,288,947
13.888%	11.847%	11.771%

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

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

At June 30, 2019, the District's General Fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Financing Uses		
	Budget	Actual*	Excess
General Fund	\$ 232,511,727	\$ 240,937,633	\$ 8,425,906

* Actual expenditures include on behalf payments of \$9,355,306, relating to SB 90 (Chapter 33, Statutes of 2019).

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 – The District's Plan discount rate changed from 3.50 percent as of June 30, 2018 to 3.80 percent as of June 30, 2019.

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

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

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

Changes of Assumptions – The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

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

Schedule of District Contributions

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



SUPPLEMENTARY INFORMATION

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 4,483,817
Title II, Part A, Supporting Effective Instruction	84.367	14341	772,956
Title IX, Part A, McKinney-Vento Homeless Assistance Grants	84.196	14332	269,200
Title III, English Learner Student Program	84.365	14346	490,123
Title II, Part B, CA Mathematics and Science Partnerships	84.366	14512	70,085
Early Intervention Grants	84.181	23761	44,364
Adult Basic Education & ELA	84.002A	14508	241,315
Adult Secondary Education	84.002	13978	107,800
English Literacy & Civics Education	84.002A	14109	78,869
Title I, Part C, Migrant Ed (Regular and Summer Program)	84.011	14326	265,948
Title I, Migrant Ed Summer Program	84.011	10005	110,560
Title I, Part C, Migrant Education (MESRP)	84.011	14768	26,566
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	146,418
Passed through Paramount Unified School District:			
Carl D. Perkins Career and Technical Education: Adult, Section 132	84.048	14893	26,609
Passed through Los Angeles County Office of Education (LACOE):			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	3,607,235
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	6,109
Preschool Grants, Part B, Sec 619	84.173	13430	100,713
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	198,561
Preschool Staff Development, Part B, Sec 619	84.173A	13431	1,000
Subtotal Special Education (IDEA) Cluster			3,913,618
Passed through California Department of Rehabilitation:			
Workability II, Transition Partnership	84.126	10006	92,158
Subtotal - U.S. Department of Education			11,140,406
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through LACOE:			
Head Start: Basic [3]	93.600	10016	7,942,806
Head Start: Basic Carryover [3]	93.600	10016	111,457
Head Start: Training and Technical Assistance (T&TA) [3]	93.600	10016	17,679
Head Start: Early Head Start Basic [3]	93.600	10016	1,514,716
Head Start: Dosage [3]	93.600	10016	381,776
Head Start: Dosage Carryover [3]	93.600	10016	414,866

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, 2019

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 (Continued)			
Medicaid Cluster			
Passed through LACOE:			
Medi-Cal Administrative Activities (MAA)	93.778	10060	\$ 486,810
Passed through CDE:			
Medi-Cal Billing Option	93.778	10013	88,636
Subtotal Medicaid Cluster			575,446
Subtotal - U.S. Department of Health and Human Services			10,958,746
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through California Highway Patrol:			
Every 15 Minutes Program	20.608	[2]	5,500
Subtotal - U.S. Department of Transportation			5,500
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	5,915,292
Especially Needy Breakfast Program	10.553	13526	2,168,442
Meal Supplements	10.556	13392	213,214
Commodities	10.555	13396	800,474
Subtotal Child Nutrition Cluster			9,097,422
Subtotal - U.S. Department of Agriculture			9,097,422
Total Federal Programs			\$ 31,202,074
[1] Direct Award, PCA number not available			
[2] PCA number not available			
[3] Does not include District in-kind contributions of \$2,796,125 to meet Federal match requirements. Contributions by program are as follows:			
Head Start: Basic	93.600	10016	\$ 2,034,526
Head Start: Basic Carryover	93.600	10016	27,864
Head Start: Training and Technical Assistance (T&TA)	93.600	10016	4,420
Head Start: Early Head Start Basic	93.600	10016	540,219
Head Start: Dosage	93.600	10016	95,444
Head Start: Dosage Carryover	93.600	10016	93,652
Total In-kind Contributions			\$ 2,796,125

See accompanying note to supplementary information.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2019

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. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Ana Valencia	President	2022
Jude Cazares	Vice President	2022
Darryl Adams	Member	2022
Karen Morrison	Member	2020
Chris Pflanze	Member	2020
Jesse Urquidí	Member	2020
Jorge Tirado	Member	2022

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, 2019

	Final Report	
	Second Period Report 00CF5F92	Annual Report 3E4039C4
Regular ADA		
Transitional kindergarten through third	4,986.20	4,974.87
Fourth through sixth	3,796.94	3,790.44
Seventh and eighth	2,677.45	2,671.42
Ninth through twelfth	5,209.54	5,176.33
Total Regular ADA	16,670.13	16,613.06
Extended Year Special Education		
Transitional kindergarten through third	7.70	7.70
Fourth through sixth	4.53	4.53
Seventh and eighth	3.23	3.23
Ninth through twelfth	11.02	11.02
Total Extended Year Special Education	26.48	26.48
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.51	0.38
Fourth through sixth	3.65	3.81
Seventh and eighth	5.67	5.53
Ninth through twelfth	10.44	11.29
Total Special Education, Nonpublic, Nonsectarian Schools	20.27	21.01
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.08	0.08
Fourth through sixth	0.34	0.34
Seventh and eighth	0.58	0.54
Ninth through twelfth	1.70	1.70
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	2.70	2.66
Total ADA	16,719.58	16,663.21

See accompanying note to supplementary information.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2019

Grade Level	1986-87 Minutes Requirement	2018-19 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	57,059	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, 2019

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019

	(Budget) 2020 ¹	2019	2018	2017
GENERAL FUND ³				
Revenues	\$ 226,880,225	\$ 238,944,923	\$ 216,836,995	\$ 214,842,217
Other sources and transfers in	837,041	804,184	836,530	805,493
Total Revenues and Other Sources	227,717,266	239,749,107	217,673,525	215,647,710
Expenditures	229,212,440	238,713,000	219,459,428	215,922,194
Other uses and transfers out	1,692,265	2,911,222	1,883,791	1,157,776
Total Expenditures and Other Uses	230,904,705	241,624,222	221,343,219	217,079,970
DECREASE IN FUND BALANCE	\$ (3,187,439)	\$ (1,875,115)	\$ (3,669,694)	\$ (1,432,260)
ENDING FUND BALANCE	\$ 31,941,219	\$ 35,128,658	\$ 37,003,773	\$ 40,673,467
AVAILABLE RESERVES ²	\$ 30,885,909	\$ 32,910,935	\$ 34,811,603	\$ 36,005,301
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ⁴	13.38%	14.17%	15.73%	16.59%
LONG-TERM OBLIGATIONS	N/A	\$373,544,259	\$315,517,935	\$ 252,415,439
K-12 AVERAGE DAILY ATTENDANCE AT P-2	16,324	16,720	17,144	17,591

The General Fund balance has decreased by \$5,544,809 over the past two years. The fiscal year 2019-2020 budget projects a further decrease of \$3,187,439 (9.1 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 all of the past three years and anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations have increased by \$121,128,820 over the past two years.

Average daily attendance has decreased by 871 over the past two years. An additional decline of 396 ADA is anticipated during fiscal year 2019-2020.

¹ Budget 2020 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 15, Pupil Transportation Equipment Fund, and Fund 20, Special Reserve Fund for Other Postemployment Benefits as required by GASB Statement No. 54.

⁴ On behalf payments of \$9,355,306 relating to Senate Bill 90 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2019.

See accompanying note to supplementary information.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET JUNE 30, 2019

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS				
Deposits and investments	\$ 1,647,256	\$ 1	\$ 3,178,586	\$ 276,320
Receivables	655,190	1,266,634	1,996,173	-
Stores inventories	-	-	187,632	-
Total Assets	\$ 2,302,446	\$ 1,266,635	\$ 5,362,391	\$ 276,320
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 402,895	\$ 342,928	\$ 137,279	\$ 276,320
Due to other funds	-	823,713	-	-
Unearned revenue	-	13,678	-	-
Total Liabilities	402,895	1,180,319	137,279	276,320
Fund Balances:				
Nonspendable	-	-	187,632	-
Restricted	1,899,551	86,316	5,037,480	-
Assigned	-	-	-	-
Total Fund Balances	1,899,551	86,316	5,225,112	-
Total Liabilities and Fund Balances	\$ 2,302,446	\$ 1,266,635	\$ 5,362,391	\$ 276,320

See accompanying note to supplementary information.

Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
\$ 60,417	\$ 6,866,907	\$ 12,029,487
545	1,980,277	5,898,819
-	-	187,632
<u>\$ 60,962</u>	<u>\$ 8,847,184</u>	<u>\$ 18,115,938</u>

\$ 60,417	\$ 406,757	\$ 1,626,596
-	-	823,713
-	-	13,678
<u>60,417</u>	<u>406,757</u>	<u>2,463,987</u>

-	-	187,632
545	2,419,315	9,443,207
-	6,021,112	6,021,112
<u>545</u>	<u>8,440,427</u>	<u>15,651,951</u>

<u>\$ 60,962</u>	<u>\$ 8,847,184</u>	<u>\$ 18,115,938</u>
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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, 2019

	Adult Education Fund	Child Development Fund	Cafeteria Fund
REVENUES			
Federal sources	\$ 427,984	\$ 10,383,300	\$ 9,097,422
Other State sources	4,335,016	2,276,315	645,244
Other local sources	380,540	656,723	1,714,273
Total Revenues	5,143,540	13,316,338	11,456,939
EXPENDITURES			
Current			
Instruction	2,274,315	7,888,478	-
Instruction-related activities:			
Supervision of instruction	27,153	1,425,734	-
Instructional library, media, and technology	6,455	-	-
School site administration	1,848,387	1,800,200	-
Pupil services:			
Food services	-	80,270	11,614,778
All other pupil services	170,681	581,707	-
Administration:			
All other administration	-	124,199	583,660
Plant services	471,631	708,575	82,587
Enterprise services	-	419,448	-
Facility acquisition and construction	770,024	270,600	177,683
Debt service			
Principal	-	21,000	-
Total Expenditures	5,568,646	13,320,211	12,458,708
Excess (Deficiency) of Revenues Over Expenditures	(425,106)	(3,873)	(1,001,769)
Other Financing Sources			
Transfers in	-	-	-
NET CHANGE IN FUND BALANCES	(425,106)	(3,873)	(1,001,769)
Fund Balances - Beginning	2,324,657	90,189	6,226,881
Fund Balances - Ending	\$ 1,899,551	\$ 86,316	\$ 5,225,112

See accompanying note to supplementary information.

Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 19,908,706
-	-	1,984,779	9,241,354
3,225	233,192	3,062,644	6,050,597
3,225	233,192	5,047,423	35,200,657
-	-	-	10,162,793
-	-	-	1,452,887
-	-	-	6,455
-	-	-	3,648,587
-	-	-	11,695,048
-	-	-	752,388
-	7,011	-	714,870
-	169,354	452,732	1,884,879
-	-	-	419,448
1,359,357	434,896	7,233,510	10,246,070
-	-	-	21,000
1,359,357	611,261	7,686,242	41,004,425
(1,356,132)	(378,069)	(2,638,819)	(5,803,768)
911,779	-	150,000	1,061,779
(444,353)	(378,069)	(2,488,819)	(4,741,989)
444,353	378,614	10,929,246	20,393,940
\$ -	\$ 545	\$ 8,440,427	\$ 15,651,951

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

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.

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 has met 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.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION **JUNE 30, 2019**

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



**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, 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, 2019, 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 16, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Norwalk-La Mirada Unified School District in a separate letter dated December 16, 2019.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
December 16, 2019



**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, 2019. Norwalk-La Mirada Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Norwalk-La Mirada Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2019.

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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 16, 2019



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 *2018-2019 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, 2019.

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 *2018-2019 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 the Unduplicated Local Control Funding Formula Pupil Counts; finding 2019-001. Compliance with such requirements is necessary, in our opinion, for Norwalk-La Mirada Unified School District to comply with the requirements applicable to that program.

Qualified Opinion on 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, 2019.

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, 2019, 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
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
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
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Nonclassroom-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 *2018-2019 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 District of Choice Program; therefore, we did not perform any procedures for the District of Choice 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.



Rancho Cucamonga, California
December 16, 2019



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Programs or Clusters</u>
<u>93.600</u>	<u>Head Start: Basic</u>
<u>93.600</u>	<u>Head Start: Basic Carryover</u>
<u>93.600</u>	<u>Head Start: Training and Technical Assistance (T&TA)</u>
<u>93.600</u>	<u>Head Start: Early Head Start Basic</u>
<u>93.600</u>	<u>Head Start: Dosage</u>
<u>93.600</u>	<u>Head Start: Dosage Carryover</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 936,062</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
Unmodified for all programs except for the following program which was qualified:	
	<u>Name of Program</u>
	<u>Unduplicated Local Control Funding Formula Pupil Counts</u>

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

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

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

Unduplicated Local Control Funding Formula Pupil Counts

2019-001 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 386 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 386, resulting in a decrease of approximately \$721,700 in LCFF funding. The estimated penalties were calculated using the California Department of Education's Audit Penalty Calculator.

Context

The condition identified was determined through a selection of students from Form 1.18 based on the criteria as stated on the *2018-2019 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."

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

Context (Continued)

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 from the prior year. The District extracted the eligibility status for fiscal year 2018-2019 and compared it to the status report on CALPADS Form 1.18. The comparison resulted in a decrease of 386 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 386 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 386 for a decrease in funding of approximately \$721,700. 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	17,387	13,380	0	(386)	17,387	12,994

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 prior year 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 discovered a technical glitch in the FRPM eligible pupil file and has made the necessary adjustments to correct the file and report accurate FRPM eligible pupils. New procedures have also been implemented to ensure that the data files provided accurately reflect the figures included in Form 1.18. Designated district personnel will review preliminary reports and provide approval prior to submission.

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

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

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."

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

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.

Current Status

Not implemented. See finding 2019-001.



Management
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, 2019, 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 16, 2019, on the government-wide financial statements of the District.

INTERNAL CONTROLS

Local Revenue

Observation

Per review of the supporting documents pertaining to the District's General Fund local revenues, it was noted that 12 of 64 receipts tested were not deposited in a timely manner. Based on our review of sample selected for testing, it appears the delay in deposits ranged from 15 to 195 days. Delay in cash deposits can increase the probability of theft, loss, or misappropriation.

Recommendation

The District should adhere to its established procedures related to frequency of deposits. The frequency of deposits may need to be increased depending on the volume and amount of cash collected. At a minimum, the District should try and make a single deposit once a week to reduce the risks associated with theft, loss, and misappropriation.

Non-Payroll Disbursements

Observation

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

Recommendation

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

ASSOCIATED STUDENT BODY (ASB)

Hutchinson Middle School

Observations

During our review of the ASB procedures, the following issues were noted:

1. Seven of 25 deposits tested were not deposited in a timely manner. The delay in deposits ranged from approximately 15 to 28 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. Revenue potential forms are not consistently being completed for fundraising events. Through testing, it was noted that one of three revenue potential forms used for fundraising events was not completed with respect to actual income and expense. As a result, expected versus actual results cannot be measured to determine whether or not the fundraiser was successful, or any losses have occurred.

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. Revenue potentials should be prepared completely 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.

Benton Middle School

Observations

During our review of the ASB procedures, the following issues were noted:

1. Nine of 38 deposits tested were not deposited in a timely manner. The delay in deposits ranged from approximately 12 to 41 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. Revenue potential forms are not consistently being completed for fundraising events. Through testing, it was noted that seven of ten revenue potential forms used for fundraising events was not completed with respect to actual income and expense. In addition, ten of ten revenue potential forms did not provide an explanation between the expected versus actual results.

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. Revenue potentials should be prepared completely 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.

La Mirada High School

Observations

During our review of the ASB procedures, the following issues were noted:

1. Ten 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.
2. Eleven 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 ASBs.
3. Revenue potential forms are not consistently being completed for fundraising events. Through testing, it was noted that two of two revenue potential forms used for fundraising events was not completed with respect to actual expense and profit. As a result, expected versus actual results cannot be measured to determine whether or not the fundraiser was successful, or any losses have occurred.
4. During the review of ticket sales procedures, it was noted that one of three ticket sales did not have explicit documentation that a dual count was performed. The person counting the cash should have at least one person beside them to ensure proper internal controls are in place.
5. One of three ticket sales forms tested was not mathematically correct. There was a variance of \$21 between the ticket sales recap forms and Ticket Booth Control Form.

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. 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.
3. Revenue potentials should be prepared completely 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.
4. It is recommended that the ASB adhere to their established procedures related to cash count for ticketed event sales. Two individuals should be present when teachers/clubs deposit the money with the bookkeeper. The bookkeeper and the depositing party should both sign and date the ticket form for door and gate sales.
5. The ticket sales report should be carefully reviewed before it is forwarded to the bookkeeper. The mathematical accuracy of the sales recap should be checked, and the cash shortage and overage should be clearly documented. Should a cash variance exist, an explanation should be stated on the form.

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

A handwritten signature in black ink, appearing to read "Eide Bailly LLP".

Rancho Cucamonga, California
December 16, 2019