

LYNWOOD UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

LYNWOOD UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



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

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Lynwood Unified School District
Lynwood, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lynwood Unified School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lynwood Unified School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 1 and 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedule on page 75, schedule of changes in the District's total OPEB liability and related ratios on page 76, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 77, schedule of the District's proportionate share of the net pension liability on page 78, and the schedule of District contributions on page 79, 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 Lynwood Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2019, 2018, on our consideration of the Lynwood 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 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 the District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
February 22, 2019



Business Services

This section of Lynwood Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018, with comparative information from 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

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

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

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

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

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Lynwood Unified School District.

LYNWOOD UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

DISTRICT-WIDE STATEMENTS

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.

The *Statement of Net Position* and the *Statement of Activities* include *governmental activities*. 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 certificates of participation, finance these activities.

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.

LYNWOOD UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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*. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities, such as the District's Workers' Compensation Self-Insurance Fund. The Internal Service Fund is 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 foundation funds. The District's fiduciary activities are reported in the *Statements of Fiduciary 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.

FINANCIAL HIGHLIGHTS

- As of June 30, 2018, the Restricted and Unrestricted General Fund reported a combined fund balance of approximately \$36.5 million, an increase of approximately \$5.0 million over last year's ending balance.
- The total reported revenue in the General Fund was approximately \$185.3 million. Compared to 2016-2017, the total revenues were approximately \$1.1 million less. The decrease was attributed primarily to the State Local Control Funding Formula which decreased in the current year.
- The General Fund total expenditures were approximately \$0.8 million higher compared to 2016-2017.
- As of June 30, 2018, the General Fund reported an unrestricted reserve for economic uncertainties approximately \$26.2 million.
- Continued declining enrollment which resulted in 13,412 ADA, a loss of 368 ADA from 2016-2017.

LYNWOOD UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$71,534,490 for the fiscal year ended June 30, 2018. Of this amount, (\$131,392,151) was unrestricted (deficit). Restricted net position are reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
		2017
	2018	As Restated
Assets		
Current and other assets	\$ 105,189,963	\$ 92,216,711
Capital assets	263,352,112	270,166,035
Total Assets	<u>368,542,075</u>	<u>362,382,746</u>
Deferred Outflows of Resources	<u>59,209,580</u>	<u>44,231,353</u>
Liabilities		
Current liabilities	33,218,260	33,847,326
Long-term obligations	133,207,500	119,441,430
Pension liability	175,617,213	161,357,893
Total Liabilities	<u>342,042,973</u>	<u>314,646,649</u>
Deferred Inflows of Resources	<u>14,174,192</u>	<u>4,680,937</u>
Net Position		
Net investment in		
capital assets	186,993,951	198,743,895
Restricted	15,932,690	13,702,153
Unrestricted (Deficit)	<u>(131,392,151)</u>	<u>(125,159,535)</u>
Total Net Position	<u>\$ 71,534,490</u>	<u>\$ 87,286,513</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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 15. 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	
	2018	2017
Revenues		
Program Revenues:		
Charges for services	\$ 243,124	\$ 215,580
Operating grants and contributions	32,621,485	39,370,155
General Revenues:		
Federal and State aid	140,146,467	140,537,551
Property taxes	22,424,517	17,849,784
Other general revenues	12,275,400	10,835,026
Total Revenues	<u>207,710,993</u>	<u>208,808,096</u>
Expenses		
Instruction-related	145,694,560	122,794,634
Pupil services	22,173,350	14,348,900
General administration	19,064,993	18,096,592
Plant services	24,103,082	23,920,904
Other	12,427,031	11,437,377
Total Expenses	<u>223,463,016</u>	<u>190,598,407</u>
Change in Net Position	<u>\$ (15,752,023)</u>	<u>\$ 18,209,689</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$223,463,016. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$22,424,517 because the cost was paid by those who benefited from the programs \$243,124 or by other governments and organizations who subsidized certain programs with grants and contributions of \$32,621,485. The remaining "public benefit" portion of our governmental activities was paid with \$140,146,467 in Federal and State aid and \$12,275,400 with other revenue sources such as interest and general entitlements.

In Table 3, we have presented the cost of each of the District's largest functions - instruction, instruction-related activities, pupil services, administration, plant services, and other activities, as well as each program's *net* cost (total cost less revenues generated by the activities). 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 provided by that function.

Table 3

	Total Cost of Services		Total Net Cost of Services	
	2018	2017	2018	2017
Instruction	\$ 120,994,446	\$ 122,158,315	\$ 101,239,723	\$ 91,622,715
Instruction-related activities	24,700,114	24,863,529	21,554,911	20,574,786
Pupil services	22,173,350	22,176,445	14,348,900	12,613,367
General administration	19,064,993	14,097,467	18,096,592	12,746,417
Plant services	24,103,082	22,052,055	23,920,904	21,514,574
Other	12,427,031	7,608,633	11,437,377	5,765,260
Total	\$ 223,463,016	\$ 212,956,444	\$ 190,598,407	\$ 164,837,119

LYNWOOD UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$66,135,267, which is an increase of \$15,908,974 from last year (Table 4).

Table 4

	Balances and Activity			
	July 1, 2017	Revenues	Expenditures	June 30, 2016
General Fund	\$ 31,498,508	\$ 185,264,497	\$ 180,234,927	\$ 36,528,078
Building Fund	10,158,133	27,626,451	18,081,949	19,702,635
Non-Major Governmental Funds	8,569,652	18,366,478	17,031,576	9,904,554
Total	\$ 50,226,293	\$ 231,257,426	\$ 215,348,452	\$ 66,135,267

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 in July 2018. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 75).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had \$263,352,112 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$6,813,923, or 2.52 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2018	2017
Land	\$ 32,298,855	\$ 32,298,855
Construction in progress	2,349,442	3,613,583
Land improvements	9,558,178	4,484,814
Buildings and improvements	212,912,271	223,056,019
Equipment	6,233,366	6,712,764
Total	\$ 263,352,112	\$ 270,166,035

LYNWOOD UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

Long-Term Obligations

At June 30, 2018, the District had \$92,309,553 in general obligation bonds and certificates of participation outstanding.

Table 6

	Governmental Activities	
	2018	2017 As Restated
General obligation bonds	\$ 73,764,553	\$ 50,938,986
Premium on bonds	3,751,243	3,592,396
Bond anticipation note	-	9,380,000
Certificates of participation	18,545,000	19,135,000
Compensated absences	1,899,186	1,859,261
PARS retirement	-	138,284
Claims Liabilities	8,366,000	8,497,000
OPEB obligation, net	26,881,518	25,900,503
Total	\$ 133,207,500	\$ 119,441,430

Other obligations include compensated absences payable, supplemental early retirement plans, claims liabilities, and OPEB obligation. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

Net Pension Liability (NPL)

As of June 30, 2018 and 2017, the total net pension liability as required by GASB Statement No. 68 was \$175,617,213 and \$161,357,893, respectively.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The State has enacted the Local Control Funding Formula (LCFF) to replace revenue limits and most categorical programs, commencing in 2013-2014. According to School Services of California, this is the most sweeping reform of the State's school finance system since the enactment of Senate Bill 90 in the early 1970's. The LCFF has now been fully implemented, two years sooner than anticipated. Going forward, any increases in funds received from the LCFF will be in accordance with the cost of living adjustment (COLA.)

LYNWOOD UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

The key assumptions in our revenue forecast are:

Per law, the school districts are funded based on either the current year or previous year's Average Daily Attendance (ADA), whichever is higher. The District is still experiencing declining enrollment. Consequently, the LCFF funding is budgeted based on the 2018-19 P-2 ADA of 13,245.

The LCFF is computed using 42.97 percent of the GAP Funding in 2017-2018. Per student ADA funding, under LCFF, will be estimated at \$10,948.

The declining enrollment trend continues in Lynwood Unified School District and multi-year projections included in the budget assumes declining ADA of 2 percent in the subsequent two fiscal years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Chief Business Officer, at Lynwood Unified School District, 11321 Bullis Rd., Lynwood, California 90262, or e-mail at Gfromm@mylusd.org.

LYNWOOD UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2018

	Governmental Activities
ASSETS	
Deposits and investments	\$ 95,547,542
Receivables	7,691,061
Prepaid expenses	756,727
Stores inventories	382,982
Other current assets	811,651
Capital assets	
Land and construction in process	34,648,297
Other capital assets	424,129,973
Less: Accumulated depreciation	(195,426,158)
Total Capital Assets	263,352,112
Total Assets	368,542,075
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	1,189,820
Deferred outflows of resources related to pensions	58,019,760
Total Deferred Outflows of Resources	59,209,580
LIABILITIES	
Accounts payable	30,512,347
Interest payable	810,934
Unearned revenue	1,128,979
Claims liability	766,000
Long-term obligations:	
Current portion of long-term obligations other than pensions	2,820,000
Noncurrent portion of long-term obligations other than pensions	130,387,500
Total Long-Term Obligations Other Than Net Pension Liability	133,207,500
Aggregate net pension liability	175,617,213
Total Liabilities	342,042,973
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	14,174,192
NET POSITION	
Net investment in capital assets	186,993,951
Restricted for:	
Debt service	4,107,483
Capital projects	3,262,695
Educational programs	6,992,334
Other restrictions	1,570,178
Unrestricted (deficit)	(131,392,151)
Total Net Position	\$ 71,534,490

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

LYNWOOD UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 120,994,446	\$ 98,486	\$ 19,656,237	\$ (101,239,723)
Instruction-related activities:				
Supervision of instruction	9,131,681	126	1,972,569	(7,158,986)
Instructional library, media, and technology	1,244,730	-	7,588	(1,237,142)
School site administration	14,323,703	31,522	1,133,398	(13,158,783)
Pupil services:				
Home-to-school transportation	3,161,007	-	-	(3,161,007)
Food services	8,578,694	100,486	6,409,404	(2,068,804)
All other pupil services	10,433,649	2,529	1,312,031	(9,119,089)
Administration:				
Data processing	4,639,010	-	-	(4,639,010)
All other administration	14,425,983	5,307	963,094	(13,457,582)
Plant services	24,103,082	4,668	177,510	(23,920,904)
Ancillary services	979,989	-	-	(979,989)
Community services	976,952	-	383,397	(593,555)
Enterprise services	7,038	-	-	(7,038)
Interest on long-term obligations	3,345,115	-	-	(3,345,115)
Other outgo	7,117,937	-	606,257	(6,511,680)
Total Governmental Activities	\$ 223,463,016	\$ 243,124	\$ 32,621,485	(190,598,407)
General revenues and subventions:				
				16,174,333
Property taxes, levied for general purposes				5,878,867
Property taxes, levied for debt service				371,317
Taxes levied for other specific purposes				140,146,467
Federal and State aid not restricted to specific purposes				1,068,425
Interest and investment earnings				11,206,975
Miscellaneous				
Subtotal, General Revenues				174,846,384
Change in Net Position				(15,752,023)
Beginning Balance (as Restated)				87,286,513
Net Position - Ending				\$ 71,534,490

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

LYNWOOD UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2018

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 56,998,617	\$ 21,077,637	\$ 10,024,859	\$ 88,101,113
Receivables	6,066,832	115,796	1,434,273	7,616,901
Prepaid expenditures	756,727	-	-	756,727
Stores inventories	318,418	-	64,564	382,982
Other current assets	811,651	-	-	811,651
Total Assets	\$ 64,952,245	\$ 21,193,433	\$ 11,523,696	\$ 97,669,374
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 27,295,188	\$ 1,490,798	\$ 1,619,142	\$ 30,405,128
Unearned revenue	1,128,979	-	-	1,128,979
Total Liabilities	28,424,167	1,490,798	1,619,142	31,534,107
Fund Balances:				
Nonspendable	3,322,481	-	65,064	3,387,545
Restricted	6,992,334	9,648,296	8,494,426	25,135,056
Assigned	-	10,054,339	1,714,015	11,768,354
Unassigned	26,213,263	-	(368,951)	25,844,312
Total Fund Balances	36,528,078	19,702,635	9,904,554	66,135,267
Total Liabilities and Fund Balances	\$ 64,952,245	\$ 21,193,433	\$ 11,523,696	\$ 97,669,374

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

LYNWOOD UNIFIED SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds \$ 66,135,267

**Amounts Reported for Governmental Activities in the Statement of Net
Position is 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:	\$ 458,778,270	
Accumulated depreciation is:	<u>(195,426,158)</u>	
Net Capital Assets		263,352,112

Expenditures relating to issuance of debt were recognized in modified
accrual basis, but should not be recognized in accrual basis. Under
accrual basis, these expenditures are capitalized and amortized over the
life of the debt as an adjustment to interest expense. 1,189,820

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	14,699,043	
Net change in proportionate share of net pension liability	8,670,849	
Difference between projected and actual earnings on pension plan investments	1,841,550	
Difference between expected and actual experience in the measurement of the total pension liability	2,359,755	
Changes in assumptions	<u>30,448,563</u>	
Total Deferred Outflow of Resources Related to Pensions		58,019,760

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 consists of:

Net change in proportionate share of net pension liability	(8,153,477)	
Difference between projected and actual earnings on pension plan investments	(3,259,393)	
Difference between expected and actual experience in the measurement of the total pension liability	(2,134,552)	
Changes in assumptions	<u>(626,770)</u>	
Total Deferred Inflow of Resources Related to Pensions		(14,174,192)

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

LYNWOOD UNIFIED SCHOOL DISTRICT

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

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

\$ (810,934)

An internal service fund is used by the District's management to charge the costs of the health and welfare benefits and workers' compensation program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities. Internal Service Fund net Position (Deficit):

(1,718,630)

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

(175,617,213)

Long-term obligations at year-end consist of:

General obligation bonds	\$ 73,027,606
Premium on issuance, net of amortization	3,751,243
Certificates of participation	18,545,000
Compensated absences - accumulated vacation	1,899,186
Other postemployment benefits	26,881,518

In additions, the District has issued "capital appreciation" bonds. The accretion of interest on those bonds to date is:

736,947

Total Long-Term Obligations

(124,841,500)

Total Net Position - Governmental Activities

\$ 71,534,490

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

LYNWOD UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula	\$ 151,784,783	\$ -	\$ -	\$ 151,784,783
Federal sources	8,968,610	-	7,235,153	16,203,763
Other State sources	22,530,895	-	2,175,308	24,706,203
Other local sources	1,980,209	338,392	6,798,404	9,117,005
Total Revenues	185,264,497	338,392	16,208,865	201,811,754
EXPENDITURES				
Current				
Instruction	99,090,665	-	3,231,764	102,322,429
Instruction-related activities:				
Supervision of instruction	8,519,388	-	11,073	8,530,461
Instructional library, media, and technology	1,148,871	-	-	1,148,871
School site administration	12,622,557	-	987,844	13,610,401
Pupil services:				
Home-to-school transportation	1,562,591	-	-	1,562,591
Food services	-	-	7,688,663	7,688,663
All other pupil services	10,428,723	-	1,034	10,429,757
Administration:				
Data processing	4,366,407	-	-	4,366,407
All other administration	10,225,755	-	362,605	10,588,360
Plant services	21,532,374	-	77,121	21,609,495
Facility acquisition and construction	333,871	7,644,951	-	7,978,822
Ancillary services	964,216	-	-	964,216
Community services	921,698	-	-	921,698
Other outgo	3,452,972	-	-	3,452,972
Debt service				
Principal	995,452	9,380,000	1,865,047	12,240,499
Interest and other	404,422	1,056,998	2,806,425	4,267,845
Total Expenditures	176,569,962	18,081,949	17,031,576	211,683,487
Excess (Deficiency) of Revenues Over Expenditures	8,694,535	(17,743,557)	(822,711)	(9,871,733)
Other Financing Sources (Uses)				
Transfers in	-	1,507,352	2,157,613	3,664,965
Other sources	-	25,780,707	-	25,780,707
Transfers out	(3,664,965)	-	-	(3,664,965)
Net Other Financing Sources (Uses)	(3,664,965)	27,288,059	2,157,613	25,780,707
NET CHANGE IN FUND BALANCES	5,029,570	9,544,502	1,334,902	15,908,974
Fund Balances - Beginning	31,498,508	10,158,133	8,569,652	50,226,293
Fund Balances - Ending	\$ 36,528,078	\$ 19,702,635	\$ 9,904,554	\$ 66,135,267

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

LYNWOOD UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds \$ 15,908,974

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which depreciation expense exceeded capital outlay in the period.

Depreciation expense	\$ (13,717,713)	
Capital outlays	<u>6,903,790</u>	
Net Expense Adjustment		(6,813,923)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits used were more than amounts earned by \$138,284. Vacation earned was more than amounts used by \$39,925.

98,359

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.

(8,714,855)

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, deferred inflows, and net OPEB liability during the year.

(981,015)

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:

Sale of general obligation bonds	(25,113,701)
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Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.

This adjustment combines the net changes of the following balances:

Premium on issuance for general obligation bonds	\$ (667,006)	
Deferred charges on refunding	(59,493)	
Amortization of debt premium	<u>508,159</u>	
Combined Adjustment		(218,340)

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

LYNWOOD UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued FOR THE YEAR ENDED JUNE 30, 2018

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

General obligation bonds	\$	2,385,000	
Certificates of participation		590,000	
Bond anticipation note		<u>9,380,000</u>	
Combined Adjustment			\$ 12,355,000

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 decreased by \$456,429, and second, \$96,866 of additional accumulated interest was accreted on the Districts "capital appreciation" general obligation bonds.

359,563

An internal service fund is used by the District's management to charge the costs of the health and welfare benefits and workers' compensation insurance program to the individual funds. The change in net position of the Internal Service Fund is reported with governmental activities.

(2,632,085)

Change in Net Position of Governmental Activities

\$ (15,752,023)

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

LYNWOOD UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2018

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 7,446,429
Receivables	74,160
Total Assets	<u>7,520,589</u>
LIABILITIES	
Current Liabilities	
Accounts payable	107,219
Claims liability	766,000
Total Current Liabilities	<u>873,219</u>
Noncurrent Liabilities	
Long-term claims liability	8,366,000
Total Liabilities	<u>9,239,219</u>
NET POSITION	
Restricted	<u>(1,718,630)</u>
Total Net Position (Deficit)	<u><u>\$ (1,718,630)</u></u>

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

LYNWOOD UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges to other funds and miscellaneous revenues	<u>\$ 3,031,871</u>
OPERATING EXPENSES	
Payroll costs	108,281
Professional and contract services	5,703,204
Supplies and materials	<u>18,635</u>
Total Operating Expenses	<u>5,830,120</u>
Operating Loss	<u>(2,798,249)</u>
NONOPERATING REVENUES	
Interest income	<u>166,164</u>
Change in Net Position	(2,632,085)
Total Net Position - Beginning	<u>913,455</u>
Total Net Position (Deficit) - Ending	<u><u>\$ (1,718,630)</u></u>

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

LYNWOOD UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 3,024,269
Cash payments to suppliers for goods and services	(5,920,454)
Cash payments for administrative expense	(108,281)
Net Cash Used by Operating Activities	<u>(3,004,466)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>115,504</u>
Cash Provided by Investing Activities	<u>115,504</u>
Net Decrease in Cash and Cash Equivalents	(2,888,962)
Cash and Cash Equivalents - Beginning	10,335,391
Cash and Cash Equivalents - Ending	<u><u>\$ 7,446,429</u></u>
 RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating Loss	\$ (2,798,249)
Changes in assets and liabilities:	
Accounts payable	(39,615)
Due to other funds	(7,602)
Claims liabilities	(159,000)
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (3,004,466)</u></u>

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

LYNWOOD UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2018

	Associated Student Bodies	Foundation Private-Purpose Trust Fund	Total Fiduciary Funds
ASSETS			
Deposits and investments	\$ 638,293	\$ 23,006	\$ 661,299
Receivables	53,829	124	53,953
Stores inventories	910	-	910
Total Assets	\$ 693,032	23,130	716,162
LIABILITIES			
Accounts payable	\$ 600	1,000	1,600
Due to student groups	692,432	-	692,432
Total Liabilities	\$ 693,032	1,000	694,032
NET POSITION			
Held in trust for scholarships		22,130	22,130
Total Net Position		\$ 22,130	\$ 22,130

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

LYNWOOD UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS STATEMENT OF CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2018

	Foundation Private-Purpose Trust Fund
ADDITIONS	
Interest	\$ 419
DEDUCTIONS	
Other expenditures	28,497
Change in Net Position	(28,078)
Net Position - Beginning	50,208
Net Position - Ending	<u>\$ 22,130</u>

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

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Lynwood Unified School District (the District) was organized in 1950 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades kindergarten through twelve as mandated by the State and Federal agencies. The District operates twelve elementary, three middle, two high schools, a continuation high school, an adult regional occupational program, and two child care centers.

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 Lynwood 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 special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 11, Adult Education Fund, and Fund 14, Deferred Maintenance Fund, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result of combining Funds 11 and 14, the General Fund has an increase in fund balance of \$179,594.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

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.

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).

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).

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Debt Service Fund This fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term obligations.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

Tax Override Fund The Tax Override Fund is used for the repayment of voted indebtedness (other than Bond Interest and Redemption Fund repayments) to be financed from ad valorem tax levies.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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:

Internal Service Fund Internal Service funds may be used to account for any activity for which services are provided to other funds of the District on a cost-reimbursement basis. The District operates a Self-Insurance Workers' Compensation Program that is accounted for in an internal service fund.

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's trust funds are for donation required to be held in the Foundation Trust. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

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

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

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

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

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

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

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. 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.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 government-wide statements.

Cash and Cash Equivalents

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

Investments

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

Prepaid Expenditures (Expenses)

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

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental funds and expenses in the proprietary funds when used.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Capital Assets and Depreciation

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

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

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

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, five to 50 years; equipment, five to 50 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.

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.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 and Premiums

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities fund statement of net position. Debt premiums and 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 debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 Program (MPP) and additions to/deductions from MPP's fiduciary net position have been determined on the same basis as they are reported by MPP. For this purpose, 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. *(To be used if your clients participates in CalSTRS MPP program and/or has a defined benefit plan that is administered through a trust that meets the criteria of paragraph 4 of GASB Statement No. 75)*

Fund Balances - Governmental Funds

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

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

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

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 three percent of General Fund expenditures and other financing uses.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Net Position

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt 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. The District has related debt outstanding as of June 30, 2018. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$15,935,690 of restricted net position.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are Self-Insurance Workers' Compensation Program funds. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

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 nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Change in Accounting Principles

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

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

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

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

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

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

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

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

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

New Accounting Pronouncements

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

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

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

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

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

(2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

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

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

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

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

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

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

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

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

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

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	\$ 95,547,542
Fiduciary funds	661,299
Total Deposits and Investments	<u>\$ 96,208,841</u>

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

Cash on hand and in banks	\$ 690,978
Cash in revolving	51,200
Investments	95,466,663
Total Deposits and Investments	<u>\$ 96,208,841</u>

Policies and Practices

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

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the county pool and purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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	Weighted-Average Maturity in Days
Los Angeles County Treasury Investment Pool	<u>\$ 95,466,663</u>	609

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 investments in the Los Angeles County Treasury Investment Pool is not required to be rated, nor has it been rated as of June 30, 2018.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the District's has \$855,821 in bank balance that was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable 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.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

The District's fair value measurements are as follows at June 30, 2018:

Investment Type	Amount	Uncategorized
Los Angeles County Treasury Investment Pool	\$ 95,466,663	\$ 95,466,663

NOTE 4 - RECEIVABLES

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

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Fiduciary Funds
Federal Government						
Categorical aid	\$ 2,621,090	\$ -	\$ 1,127,349	\$ -	\$ 3,748,439	\$ -
State Government						
State principal apportionment	1,598,411	-	-	-	1,598,411	-
Categorical aid	529,005	-	225,260	-	754,265	-
Lottery	605,072	-	-	-	605,072	-
Local Government						
Interest	355,951	115,796	24,832	74,160	570,739	124
Other Local Sources	357,303	-	56,832	-	414,135	53,829
Total	<u>\$ 6,066,832</u>	<u>\$ 115,796</u>	<u>\$ 1,434,273</u>	<u>\$ 74,160</u>	<u>\$ 7,691,061</u>	<u>\$ 53,953</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 32,298,855	\$ -	\$ -	\$ 32,298,855
Construction in progress	3,613,583	1,695,828	2,959,969	2,349,442
Total Capital Assets Not Being Depreciated	35,912,438	1,695,828	2,959,969	34,648,297
Capital Assets Being Depreciated				
Land improvements	7,882,768	5,445,337	-	13,328,105
Buildings and improvements	392,542,165	2,318,885	-	394,861,050
Furniture and equipment	15,537,109	403,709	-	15,940,818
Total Capital Assets Being Depreciated	415,962,042	8,167,931	-	424,129,973
Total Capital Assets	451,874,480	9,863,759	2,959,969	458,778,270
Less Accumulated Depreciation				
Land improvements	3,397,954	371,973	-	3,769,927
Buildings and improvements	169,486,146	12,462,633	-	181,948,779
Furniture and equipment	8,824,345	883,107	-	9,707,452
Total Accumulated Depreciation	181,708,445	13,717,713	-	195,426,158
Governmental Activities Capital Assets, Net	\$ 270,166,035	\$ (3,853,954)	\$ 2,959,969	\$ 263,352,112

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

Governmental Activities	
Instruction	\$ 11,330,812
School site administration	370,379
Food services	644,732
All other administration	809,344
Plant services	562,446
Total Depreciation Expenses Governmental Activities	<u>\$ 13,717,713</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 6 - INTERFUND TRANSACTIONS

Operating Transfers

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

Transfer To	Transfer From General Fund
Building Fund	\$ 1,507,352
Non-Major Governmental Funds	2,157,613
Total	<u>\$ 3,664,965</u>

The General Fund transferred to the Child Development Non-Major Governmental Fund to support pre-school program encroachment.

\$ 2,157,613

The General Fund transferred to the Building Fund for reimbursement of costs.

1,507,352

Total

\$ 3,664,965

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 - ACCOUNTS PAYABLE

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

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Fiduciary Fund
Vendor payables	\$ 13,497,939		\$ 427,698	\$ 107,219	\$ 14,032,856	\$ 1,600
Salaries and benefits	13,797,249	224	1,191,444	-	14,988,917	-
Construction		1,490,574	-	-	1,490,574	-
Total	<u>\$ 27,295,188</u>	<u>\$ 1,490,798</u>	<u>\$ 1,619,142</u>	<u>\$ 107,219</u>	<u>\$ 30,512,347</u>	<u>\$ 1,600</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 8 - UNEARNED REVENUE

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

	General Fund
Federal financial assistance	\$ 217,591
State categorical aid	911,388
Total	<u>\$ 1,128,979</u>

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2017			Balance June 30, 2018	Due in One Year
	As Restated	Additions	Deductions		
General obligation bonds	\$ 50,938,986	\$ 25,210,567	\$ 2,385,000	\$ 73,764,553	\$ 2,300,000
Premium on bonds	3,592,396	667,006	508,159	3,751,243	-
Bond anticipation note	9,380,000	-	9,380,000	-	-
Certificates of participation	19,135,000	-	590,000	18,545,000	520,000
Compensated absences	1,859,261	39,925	-	1,899,186	-
PARS retirement	138,284	-	138,284	-	-
Claims Liabilities	8,497,000	3,031,871	3,162,871	8,366,000	-
OPEB obligation, net	25,900,503	1,151,780	170,765	26,881,518	-
	<u>\$ 119,441,430</u>	<u>\$ 30,101,149</u>	<u>\$ 16,335,079</u>	<u>\$ 133,207,500</u>	<u>\$ 2,820,000</u>

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

- Payments on the Certificates of Participation are made from the General Fund.
- The compensated absences will be paid by the fund for which the employee worked.
- Payments for PARS Retirement obligations are made from the General Fund.
- Payments for Claims Liabilities are made from the Internal Service Fund. A current portion of claim liabilities is recorded as a liability reported in the Proprietary Fund Statement of Net Position.
- Payments for the OPEB obligation will be paid from the fund for which the employee worked.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Bonded Debt

The general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds	
				Outstanding July 1, 2017	Issued	Accreted	Redeemed	Outstanding June 30, 2018
5/1/2003	5/1/2028	5.52 - 6.90%	\$ 19,999,801	\$ 2,053,986	\$ -	\$ 72,241	\$ 850,000	\$ 1,276,227
2/9/2012	8/1/2027	2.00 - 5.00%	14,700,000	14,520,000	-	-	980,000	13,540,000
2/12/2013	8/1/2038	2.00 - 5.00%	16,500,000	14,150,000	-	-	295,000	13,855,000
7/15/14	8/1/2039	1.25 - 4.28%	10,655,000	10,605,000	-	-	120,000	10,485,000
4/19/16	8/1/2041	2.00 - 4.00%	9,610,000	9,610,000	-	-	140,000	9,470,000
07/25/17	8/1/2042	2.00 - 4.09%	8,863,701	-	8,863,701	24,625	-	8,888,326
07/25/17	8/1/2023	2.00 - 2.75%	715,000	-	715,000	-	-	715,000
07/25/17	8/1/2042	2.00 - 5.00%	15,535,000	-	15,535,000	-	-	15,535,000
				<u>\$ 96,578,502</u>	<u>\$ 50,938,986</u>	<u>\$ 25,113,701</u>	<u>\$ 96,866</u>	<u>\$ 2,385,000</u>
								<u>\$ 73,764,553</u>

2002 General Obligation Bonds, Series A

In May 2003, the District issued \$19,999,801 of 2002 General Obligation Bonds, Series A. The bonds mature on May 1, 2028, with interest rates ranging from 5.52 to 6.90 percent. Net proceeds from the issuance were used to finance the construction of new schools and to improve and repair existing schools. At June 30, 2018, the principal balance outstanding was \$1,276,227.

The bonds mature through 2028 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Total
2019	\$ -	\$ -	\$ -
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024-2028	1,276,227	923,773	2,200,000
Total	<u>\$ 1,276,227</u>	<u>\$ 923,773</u>	<u>\$ 2,200,000</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

2012 General Obligation Refunding Bonds

On February 9, 2012, the District issued \$14,700,000 of 2012 General Obligation Refunding Bonds. The bonds mature on August 1, 2027, with interest rates ranging from 2.00 to 5.00 percent. Net proceeds from the issuance were used to pay a portion of existing bonds. At June 30, 2018, the principal balance outstanding was \$13,540,000.

The bonds mature through 2028 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2019	\$ -	\$ 300,731	\$ 300,731
2020	1,025,000	589,931	1,614,931
2021	1,125,000	550,275	1,675,275
2022	1,200,000	522,150	1,722,150
2023	1,340,000	462,150	1,802,150
2024-2028	8,850,000	1,189,563	10,039,563
Total	<u>\$ 13,540,000</u>	<u>\$ 3,614,800</u>	<u>\$ 17,154,800</u>

2012 General Obligation Bonds, Series A

On February 12, 2013, the District issued \$16,500,000 of 2012 General Obligation Bonds, Series A. The bonds mature on August 1, 2038, with interest rates ranging from 2.00 to 5.00 percent. Net proceeds from the issuance were used to finance the construction of new schools and to improve and repair existing schools. At June 30, 2018, the principal balance outstanding was \$13,855,000.

The bonds mature through 2039 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2019	\$ 320,000	\$ 623,075	\$ 943,075
2020	340,000	613,475	953,475
2021	360,000	603,275	963,275
2022	390,000	592,475	982,475
2023	415,000	576,875	991,875
2024-2028	2,575,000	2,595,788	5,170,788
2029-2033	3,480,000	2,027,238	5,507,238
2034-2038	4,815,000	1,043,500	5,858,500
2039	1,160,000	58,000	1,218,000
Total	<u>\$ 13,855,000</u>	<u>\$ 8,733,701</u>	<u>\$ 22,588,701</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

2012 General Obligation Bonds, Series B

On July 15, 2014, the District issued \$10,655,000 of 2012 General Obligation Bonds, Series B. The bonds mature on August 1, 2039, with interest rates ranging from 1.25 to 4.28 percent. Net proceeds from the issuance were used to finance the construction of new schools and to improve and repair existing schools and for partial payment of 2013 General Obligation Bond Anticipation Notes. At June 30, 2018, the principal balance outstanding was \$10,485,000.

The bonds mature through 2040 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2019	\$ 160,000	\$ 401,531	\$ 561,531
2020	160,000	399,531	559,531
2021	-	397,131	397,131
2022	-	397,131	397,131
2023	100,000	397,131	497,131
2024-2028	1,105,000	1,928,406	3,033,406
2029-2033	2,300,000	1,673,400	3,973,400
2034-2038	3,780,000	1,053,450	4,833,450
2039-2040	2,880,000	199,650	3,079,650
Total	<u>\$ 10,485,000</u>	<u>\$ 6,847,361</u>	<u>\$ 17,332,361</u>

2012 General Obligation Bonds, Series C

On April 19, 2016, the District issued \$9,610,000 of 2012 General Obligation Bonds, Series C. The bonds mature on August 1, 2041, with interest rates ranging from 2.00 to 4.00 percent. Net proceeds from the issuance were used to finance the repair, upgrading, acquisition, construction and equipping of District sites and facilities. At June 30, 2018, the principal balance outstanding was \$9,470,000.

The bonds mature through 2042 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2019	\$ 145,000	\$ 351,400	\$ 496,400
2020	-	348,500	348,500
2021	50,000	348,500	398,500
2022	75,000	347,500	422,500
2023	25,000	346,000	371,000
2024-2028	475,000	1,703,300	2,178,300
2029-2033	1,020,000	1,670,800	2,690,800
2034-2038	1,730,000	1,300,250	3,030,250
2039-2042	5,950,000	734,400	6,684,400
Total	<u>\$ 9,470,000</u>	<u>\$ 7,150,650</u>	<u>\$ 16,620,650</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

2012 General Obligation Bonds, Series D-1

On July 25, 2017, the District issued \$8,863,701 of 2012 General Obligation Bonds, Series D-1. The bonds mature on August 1, 2042, with interest rates ranging from 2.00 to 4.09 percent. Net proceeds from the issuance were used to pay the District's 2014 General Obligation Bond Anticipation Notes, Series A and Series B and pay the cost of issuing the 2012 Series D-1 bonds. At June 30, 2018, the principal balance outstanding was \$8,888,326.

The bonds mature through 2043 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Total
2019	\$ -	\$ -	\$ -
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024-2028	1,050,043	229,957	1,280,000
2029-2033	1,654,735	-	1,654,735
2034-2038	2,188,802	-	2,188,802
2039-2043	3,994,746	-	3,994,746
Total	<u>\$ 8,888,326</u>	<u>\$ 229,957</u>	<u>\$ 9,118,283</u>

2012 General Obligation Bonds, Series D-2

On July 25, 2017, the District issued \$715,000 of 2012 General Obligation Bonds, Series D-2. The bonds mature on August 1, 2023, with interest rates ranging from 2.00 to 2.75 percent. Net proceeds from the issuance were used to pay the District's 2014 General Obligation Bond Anticipation Notes, Series A and Series B and pay the cost of issuing the 2012 Series D-2 bonds. At June 30, 2018, the principal balance outstanding was \$715,000.

The bonds mature through 2024 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2019	\$ 60,000	\$ 17,133	\$ 77,133
2020	75,000	16,053	91,053
2021	115,000	14,553	129,553
2022	160,000	12,023	172,023
2023	190,000	8,103	198,103
2024	115,000	3,163	118,163
Total	<u>\$ 715,000</u>	<u>\$ 71,028</u>	<u>\$ 786,028</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

2016 General Obligation Bonds, Series A

On July 25, 2017, the District issued \$15,535,000 of 2016 General Obligation Bonds, Series A. The bonds mature on August 1, 2042, with interest rates ranging from 2.00 to 5.00 percent. Net proceeds from the issuance were used to finance the repair, upgrading, acquisition, construction and equipping of District sites and facilities. At June 30, 2018, the principal balance outstanding was \$15,535,000.

The bonds mature through 2043 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2019	\$ 1,615,000	\$ 550,698	\$ 2,165,698
2020	1,150,000	521,475	1,671,475
2021	-	486,975	486,975
2022	100,000	486,975	586,975
2023	125,000	482,975	607,975
2024-2028	1,150,000	2,312,275	3,462,275
2029-2033	2,235,000	1,972,125	4,207,125
2034-2038	3,630,000	1,489,506	5,119,506
2039-2043	5,530,000	700,200	6,230,200
Total	<u>\$ 15,535,000</u>	<u>\$ 9,003,204</u>	<u>\$ 24,538,204</u>

Bonds Anticipation Note

On July 15, 2014, the District issued \$8,680,000 in 2014 General Obligation Bonds Anticipation Note Series A. Proceeds from the bonds were used for the purpose of payment to outstanding 2013 General Obligation Bond Anticipation Notes. The remaining bonds matured on August 1, 2017, with a yield of 1.25 percent. As of June 30, 2018, no remaining balance was outstanding.

On July 15, 2014, the District issued \$700,000 in 2014 General Obligation Bonds Anticipation Note Series B. Proceeds from the bonds were used for the purpose of refunding the outstanding 2013 General Obligation Bond Anticipation Notes. The remaining bonds matured on August 1, 2017, with a yield of 1.80 percent. As of June 30, 2018, no remaining balance was outstanding.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Certificates of Participation Summary

The outstanding certificates of participation are as follows:

Issue Date	Maturity Date	Original Issue	COP		COP	
			Outstanding July 1, 2017	Issued	Redeemed	Outstanding June 30, 2018
07/10/07	2018	\$ 19,430,000	\$ 485,000	\$ -	\$ 485,000	\$ -
07/10/07	2038	4,260,000	2,600,000	-	105,000	2,495,000
02/02/16	2038	16,325,000	16,050,000	-	-	16,050,000
		<u>\$ 40,015,000</u>	<u>\$ 19,135,000</u>	<u>\$ -</u>	<u>\$ 590,000</u>	<u>\$ 18,545,000</u>

2007 Certificates of Participation Series A

On July 10, 2007, the District issued Certificates of Participation. The Certificates were executed and delivered in a Series A pursuant to a Trust Agreement between Lynwood Unified School District, the Public Property Financing Corporation of California and U.S. Bank National Association, as trustee. The amount financed for Series A is \$19,430,000, the proceeds of which were used to finance the construction of certain projects. The amount financed for Series B is \$4,260,000, the proceeds of which were used to effect the payment and current refunding of the outstanding certificates of participation of the 1997 Series C of the District pursuant to the terms of the escrow agreement. The certificates mature on October 1, 2037, with interest due with respect to the certificates is payable on October 1, 2010, and semiannually thereafter on each April 1 and October 1 having stated interest rates ranging from 4.0 percent to 5.0 percent. During the 2016 fiscal year, the District issued a 2016 refunding Certificate of Participation which refunded a portion of the 2007 Certificate of Participation Series A. At June 30, 2018, no remaining balance was outstanding.

2007 Certificates of Participation Series B

On July 10, 2007, the District issued Certificates of Participation. The Certificates were executed and delivered in a Series B pursuant to a Trust Agreement between Lynwood Unified School District, the Public Property Financing Corporation of California and U.S. Bank National Association, as trustee. The amount financed for Series B is \$4,260,000, the proceeds of which were used to effect the payment and current refunding of the outstanding certificates of participation of the 1997 Series C of the District pursuant to the terms of the escrow agreement. The certificates mature on October 1, 2037, with interest due with respect to the certificates is payable on October 1, 2010, and semiannually thereafter on each April 1 and October 1 having stated interest rates ranging from 4.0 percent to 5.0 percent. During the 2016 fiscal year, the District issued a 2016 refunding Certificate of Participation which refunded a portion of the 2007 Certificate of Participation Series B. At June 30, 2018, the principal balance outstanding was \$2,495,000.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

The certificates mature through 2038 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2019	\$ -	\$ 151,750	\$ 151,750
2020	-	151,750	151,750
2021	-	151,750	151,750
2022	120,000	148,750	268,750
2023	130,000	142,500	272,500
2024-2028	730,000	595,000	1,325,000
2029-2033	365,000	364,625	729,625
2034-2038	1,150,000	179,000	1,329,000
Total	<u>\$ 2,495,000</u>	<u>\$ 1,885,125</u>	<u>\$ 4,380,125</u>

2016 Refunding Certificates of Participation

On February 2, 2016, the District issued 2016 Refunding Certificates of Participation. The Certificates were executed and delivered pursuant to a Trust Agreement between Lynwood Unified School District, the Public Property Financing Corporation of California and U.S. Bank National Association, as trustee. The amount financed is \$16,325,000, the proceeds of which were used to effect the payment and current refunding of the outstanding certificates of participation of the 1997 Series A and B of the District pursuant to the terms of the escrow agreement. The certificates mature on October 1, 2037, with interest due with respect to the certificates is payable on October 1, 2016, and semiannually thereafter on each April 1 and October 1 having stated interest rates ranging from 2.0 percent to 5.0 percent. The refunding resulted in an economic gain of \$1,622,000 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 3.08 percent. At June 30, 2018, the principle balance outstanding was \$16,050,000 and deferred charge on refunding was \$1,189,820.

The certificates mature through 2038 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2019	\$ 520,000	\$ 662,581	\$ 1,182,581
2020	525,000	641,681	1,166,681
2021	540,000	617,681	1,157,681
2022	565,000	59,056	624,056
2023	605,000	560,806	1,165,806
2024-2028	3,465,000	2,312,781	5,777,781
2029-2033	4,435,000	1,338,781	5,773,781
2034-2038	5,395,000	443,803	5,838,803
Total	<u>\$ 16,050,000</u>	<u>\$ 6,637,170</u>	<u>\$ 22,687,170</u>

Compensated Absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2018, amounted to \$1,899,186.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

PARS Retirement Program

The District offered an early retirement incentive to qualified employees under a qualified plan of Section 401A of the Internal Revenue Code. The retiree receives an annual benefit payment in five equal installments through June 30, 2018. As of June 30, 2018, no remaining balance was outstanding.

Claims Liability

The District has an outstanding long-term obligation for incurred, but not reported, claims for the District Internal Service Fund in the amount of \$8,366,000.

Net Other Postemployment Benefit (OPEB) Liability

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

<u>OPEB Plan</u>	<u>Net OPEB Liability</u>	<u>OPEB Expense</u>
District Plan	\$ 25,873,580	\$ 1,151,780
Medicare Premium Payment (MMP) Program	1,007,938	170,765
	<u>\$ 26,881,518</u>	<u>\$ 1,322,545</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) is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan membership

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

Inactive employees or beneficiaries currently receiving benefits payments	95
Active employees	<u>1,596</u>
	<u>1,691</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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 (the Governing Board) has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District and the Teacher Education Association (TEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the District contributed \$904,088 to the Plan, all of which was used for current premiums.

Total OPEB Liability of the District

The District's total OPEB liability of \$25,873,580 was measured as of June 30, 2018, and 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	3.00 percent, average, including inflation
Investment rate of return	3.50 percent, net of OPEB plan investment expense, including inflation
Health care cost trend rates	5.00 percent for 2018

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 reeducation. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

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

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	\$ 24,721,800
Service cost	\$ 1,381,363
Interest	872,138
Changes of assumptions or other inputs	(197,633)
Benefit payments	(904,088)
Net change in total OPEB liability	1,151,780
Balance at June 30, 2018	\$ 25,873,580

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 percentage lower or higher than the current rate:

Discount Rate	Total OPEB Liability
1% decrease (2.50%)	\$ 27,902,824
Current discount rate (3.50%)	25,873,580
1% increase (4.50%)	23,965,883

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 percentage lower or higher than the current healthcare costs trend rates:

Health Care Cost Trend Rates	Total OPEB Liability
1% decrease (4.00%)	\$ 24,358,584
Current healthcare cost trend rate (5.00%)	25,873,580
1% increase (6.00%)	27,657,802

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publically 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 STRP 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.

Contributions

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District's contributions. In accordance with California Education Code Section 25930, contributions 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.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB

At June 30, 2018, the District reported a liability of \$1,007,938 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017, and June 30, 2016, respectively, was 0.2396 percent and 0.2518 percent, resulting in a net decrease in the proportionate share of 0.0123 percent.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Actuarial Methods and Assumptions

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

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

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among 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 571 or an average of 0.32 percent of the potentially eligible population (177,763).

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

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Discount Rate

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.58%)	\$ 1,115,858
Current discount rate (3.58%)	1,007,938
1% increase (4.58%)	902,963

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 910,826
Current medicare costs trend rate (3.7% Part A and 4.1% Part B)	1,007,938
1% increase (4.7% Part A and 5.1% Part B)	1,104,080

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds	Internal Service Fund	Fiduciary Funds
Nonspendable						
Revolving cash	\$ 50,000	\$ -	\$ 500	\$ 50,500	\$ -	\$ -
Stores inventories	318,418	-	64,564	382,982	-	-
Prepaid expenditures	2,954,063	-	-	2,954,063	-	-
Total Nonspendable	<u>3,322,481</u>	<u>-</u>	<u>65,064</u>	<u>3,387,545</u>	<u>-</u>	<u>-</u>
Restricted						
Legally restricted programs	6,992,334	-	1,782,844	8,775,178	-	22,130
Capital projects	-	9,648,296	1,799,095	11,447,391	-	-
Debt service	-	-	4,912,487	4,912,487	-	-
Total Restricted	<u>6,992,334</u>	<u>9,648,296</u>	<u>8,494,426</u>	<u>25,135,056</u>	<u>-</u>	<u>22,130</u>
Assigned						
Other assignments	-	10,054,339	1,714,015	11,768,354	-	-
Unassigned						
Economic uncertainties	26,213,263	-	-	26,213,263	-	-
Remaining unassigned	-	-	(368,951)	(368,951)	(1,718,630)	-
Total Unassigned	<u>26,213,263</u>	<u>-</u>	<u>(368,951)</u>	<u>25,844,312</u>	<u>(1,718,630)</u>	<u>-</u>
Total	<u>\$ 36,528,078</u>	<u>\$ 19,702,635</u>	<u>\$ 9,904,554</u>	<u>\$ 66,135,267</u>	<u>\$ (1,718,630)</u>	<u>\$ 22,130</u>

NOTE 11 - RISK MANAGEMENT

Description

The District's risk management activities are recorded in the General and Self-Insurance Funds. Employee life, health, vision, dental, disability, and workers' compensation programs are administered by the District. The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. The District purchases commercial insurance through Southern California Regional Liability Excess Fund Joint Powers Authority for first party damage with coverage up to a maximum of \$500 million, subject to Member Retained Limits ranging from \$500 to \$10,000 per occurrence. The District also purchases commercial insurance for general liability claims with coverage up to \$1 million per occurrence with excess liability coverage up to \$25, all subject to a \$25,000 Member Retained Limit per occurrence. The District self insures workers' compensation coverage up to \$2,000,000 per occurrence with excess coverage up to \$10,000,000.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Claims Liabilities

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2016 to June 30, 2018:

	Workers' Compensation
Liability Balance, July 1, 2016	\$ 9,291,000
Claims provision	3,776,619
Claims paid	(3,776,619)
Liability Balance, June 30, 2017	9,291,000
Claims provision	3,031,871
Claims paid	(3,190,871)
Liability Balance, June 30, 2018	<u>\$ 9,132,000</u>
Amount available to pay claims	<u>\$ 7,520,589</u>

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

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

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 122,382,715	\$ 40,331,196	\$ 11,470,505	\$ 13,033,520
CalPERS	53,234,498	17,688,564	2,703,687	10,380,378
Total	<u>\$ 175,617,213</u>	<u>\$ 58,019,760</u>	<u>\$ 14,174,192</u>	<u>\$ 23,413,898</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

Benefits Provided

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

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

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

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were \$10,069,744.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

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

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$	122,382,715
State's proportionate share of the net pension liability associated with the District		72,400,580
Total	\$	<u>194,783,295</u>

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.1323 percent and 0.1416 percent, resulting in a net decrease in the proportionate share of 0.0093 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$13,033,520. In addition, the District recognized pension expense and revenue of \$7,287,814 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 10,069,744	\$ -
Net change in proportionate share of net pension liability	7,136,042	6,076,560
Difference between projected and actual earnings on pension plan investments	-	3,259,393
Differences between expected and actual experience in the measurement of the total pension liability	452,583	2,134,552
Changes of assumptions	22,672,827	-
Total	<u>\$ 40,331,196</u>	<u>\$ 11,470,505</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows 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 Inflows of Resources
2019	\$ (2,709,654)
2020	2,050,409
2021	295,657
2022	(2,895,805)
Total	<u>\$ (3,259,393)</u>

The deferred outflows 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 change of assumptions will be amortized over the Expected Average Remaining Service Life (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/ Inflows of Resources
2019	\$ 4,045,334
2020	4,045,334
2021	4,045,334
2022	4,045,337
2023	3,027,531
Thereafter	2,841,470
Total	<u>\$ 22,050,340</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Actuarial Methods and Assumptions

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

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

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

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

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

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 179,696,679
Current discount rate (7.10%)	122,382,715
1% increase (8.10%)	75,868,549

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety. These reports and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Benefits Provided

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

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

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were \$4,629,299.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$53,234,498. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.2230 percent and 0.2371 percent, resulting in a net decrease in the proportionate share of 0.0141 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$10,380,378. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,629,299	\$ -
Net change in proportionate share of net pension liability	1,534,807	2,076,917
Difference between projected and actual earnings on pension plan investments	1,841,550	-
Differences between expected and actual experience in the measurement of the total pension liability	1,907,172	-
Changes of assumptions	7,775,736	626,770
Total	<u>\$ 17,688,564</u>	<u>\$ 2,703,687</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows 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 of Resources
2019	\$ (49,899)
2020	2,124,748
2021	775,133
2022	(1,008,432)
Total	<u>\$ 1,841,550</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

Year Ended June 30,	Deferred Outflows/ Inflows of Resources
2019	\$ 3,518,801
2020	2,950,573
2021	2,044,654
Total	<u>\$ 8,514,028</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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

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

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

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

Discount Rate

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

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

Discount rate	Net Pension Liability
1% decrease (6.15%)	\$ 78,325,005
Current discount rate (7.15%)	53,234,498
1% increase (8.15%)	32,419,821

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 \$5,219,699 (9.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

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

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2018.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 14 - PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of the Southern California Relief (SCR) and the Schools' Excess Liability Fund (SELF). The District pays an annual premium to the entity for its health, workers' compensation, and property liability coverage. The relationship between the District and the entity is such that it is not a component unit of the District for financial reporting purposes.

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 generally available from the respective entities.

During the year ended June 30, 2018, the District made payments of \$1,031,901 and \$49,989 to SCR and SELF, respectively.

NOTE 15 – RESTATEMENT

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

Statement of Net Position

Net Position - Beginning	\$ 105,128,310
Inclusion of net pension liability from adoption of GASB No. 75	<u>(17,841,797)</u>
Net Position - Beginning as Restated	<u><u>\$ 87,286,513</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

LYNWOOD UNIFIED SCHOOL DISTRICT

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

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local Control Funding Formula	\$151,754,552	\$152,061,322	\$151,784,783	\$ (276,539)
Federal sources	10,318,237	11,527,986	8,968,610	(2,559,376)
Other State sources	11,634,389	13,524,231	22,530,895	9,006,664
Other local sources	683,000	707,500	1,980,209	1,272,709
Total Revenues ¹	174,390,178	177,821,039	185,264,497	7,443,458
EXPENDITURES				
Current				
Certificated salaries	67,217,165	66,345,453	71,025,566	(4,680,113)
Classified salaries	30,570,490	30,612,903	28,844,867	1,768,036
Employee benefits	36,269,089	36,971,110	40,026,530	(3,055,420)
Books and supplies	12,294,714	10,920,155	8,623,831	2,296,324
Services and operating expenditures	26,228,294	24,944,063	23,082,964	1,861,099
Capital outlay	2,034,778	901,487	475,966	425,521
Other outgo	4,969,949	3,483,860	3,090,364	393,496
Debt service				
Principal	-	-	995,452	(995,452)
Interest	-	-	404,422	(404,422)
Total Expenditures ¹	179,584,479	174,179,031	176,569,962	(2,390,931)
Excess of Revenues Over Expenditures	(5,194,301)	3,642,008	8,694,535	5,052,527
Other Financing Uses				
Transfers out	(665,121)	(1,765,353)	(3,664,965)	(1,899,612)
NET CHANGE IN FUND BALANCES	(5,859,422)	1,876,655	5,029,570	3,152,915
Fund Balance - Beginning	31,498,508	31,498,508	31,498,508	-
Fund Balance - Ending	\$ 25,639,086	\$ 33,375,163	\$ 36,528,078	\$ 3,152,915

¹ On behalf payments of \$5,219,699 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 11, Adult Education Fund and Fund 14, Deferred Maintenance Fund, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures; however, are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

LYNWOOD UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 1,381,363
Interest	872,138
Changes of assumptions	(197,633)
Benefit payments	<u>(904,088)</u>
Net change in total OPEB liability	1,151,780
Total OPEB liability - beginning	<u>24,721,800</u>
Total OPEB liability - ending (a)	<u><u>\$ 25,873,580</u></u>
Covered-employee payroll	<u>\$104,780,000</u>
District's total OPEB liability as a percentage of covered-employee payroll	<u>N/A ¹</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 become available, ten years of information will be presented.

See accompanying note to required supplementary information.

LYNWOOD UNIFIED SCHOOL DISTRICT

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

Year ended June 30,	2018
District's proportion of the net OPEB liability	0.2396%
District's proportionate share of the net OPEB liability	\$1,007,938
District's covered-employee payroll	N/A ²
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A ²
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%

¹ In the future, as data become available, ten years of information will be presented.

² 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.

See accompanying note to required supplementary information.

LYNWOOD UNIFIED SCHOOL DISTRICT

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

	2018	2017
CalSTRS		
District's proportion of the net pension liability	0.1323%	0.1416%
District's proportionate share of the net pension liability	\$ 122,382,715	\$ 114,536,169
State's proportionate share of the net pension liability associated with the District	72,400,580	65,203,398
Total	<u>\$ 194,783,295</u>	<u>\$ 179,739,567</u>
District's covered - employee payroll	<u>\$ 70,348,935</u>	<u>\$ 69,993,271</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	173.97%	163.64%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%
CalPERS		
District's proportion of the net pension liability	0.2230%	0.2371%
District's proportionate share of the net pension liability	\$ 53,234,498	\$ 46,821,724
District's covered - employee payroll	<u>\$ 30,775,637</u>	<u>\$ 28,082,962</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	172.98%	166.73%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%

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

See accompanying note to required supplementary information.

<u>2016</u>	<u>2015</u>
<u>0.1377%</u>	<u>0.1255%</u>
<u>\$ 92,696,235</u>	<u>\$ 73,349,471</u>
<u>49,026,090</u>	<u>44,291,578</u>
<u>\$ 141,722,325</u>	<u>\$ 117,641,049</u>
<u>\$ 67,244,955</u>	<u>\$ 55,906,461</u>
<u>137.85%</u>	<u>131.20%</u>
<u>74%</u>	<u>77%</u>
<u>0.2237%</u>	<u>0.2084%</u>
<u>\$ 32,971,588</u>	<u>\$ 23,663,277</u>
<u>\$ 24,392,897</u>	<u>\$ 21,885,070</u>
<u>135.17%</u>	<u>108.13%</u>
<u>79%</u>	<u>83%</u>

See accompanying note to required supplementary information.

LYNWOOD UNIFIED SCHOOL DISTRICT

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

	<u>2018</u>	<u>2017</u>
CalSTRS		
Contractually required contribution	\$ 10,069,744	\$ 8,849,896
Contributions in relation to the contractually required contribution	<u>(10,069,744)</u>	<u>(8,849,896)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 District's covered - employee payroll	 <u>\$ 69,783,396</u>	 <u>\$ 70,348,935</u>
 Contributions as a percentage of covered - employee payroll	 <u>14.43%</u>	 <u>12.58%</u>
 CalPERS		
Contractually required contribution	\$ 4,629,299	\$ 4,274,736
Contributions in relation to the contractually required contribution	<u>(4,629,299)</u>	<u>(4,274,736)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 District's covered - employee payroll	 <u>\$ 29,808,751</u>	 <u>\$ 30,775,637</u>
 Contributions as a percentage of covered - employee payroll	 <u>15.53%</u>	 <u>13.89%</u>

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

See accompanying note to required supplementary information.

LYNWOOD UNIFIED SCHOOL DISTRICT

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

<u>2016</u>	<u>2015</u>
\$ 7,510,278	\$ 5,971,352
<u>(7,510,278)</u>	<u>(5,971,352)</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 69,993,271</u>	<u>\$ 67,244,955</u>
<u>10.73%</u>	<u>8.88%</u>
\$ 3,327,831	\$ 2,871,044
<u>(3,327,831)</u>	<u>(2,871,044)</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 28,082,962</u>	<u>\$ 24,392,897</u>
<u>11.85%</u>	<u>11.77%</u>

See accompanying note to required supplementary information.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

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.

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, the plan's fiduciary net position, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Change in benefit terms – There were no changes in the benefit terms since the previous valuation.

Change in assumptions – There were no changes of assumptions since the previous valuation.

Schedule of the District's Proportionate Share of the total OPEB Liability – MPP Program

Changes in Benefits Terms – There were no changes in the benefits terms since the previous valuation.

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

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

Schedule of District Contributions – MPP Program

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

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

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

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

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

Schedule of District Contributions

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

SUPPLEMENTARY INFORMATION

LYNWOOD UNIFIED SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program 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	\$ 4,251,554
Title I, School Improvement Grant (SIG) for QEIA Schools	84.377	14971	28,606
Title I, Part C, Migrant Education - Regular	84.011	14326	79,788
Title I, Migrant Education Summer Program	84.011	10005	43,281
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	567,667
Title III - English Learner Student Program	84.365	14346	226,626
Adult Education - Basic Grants to States Cluster:			
Adult Basic Education - Adult Basic Education & ELA (Section 231)	84.002A	14508	125,552
Adult Basic Education - Adult Secondary Education (Section 231)	84.002	13978	53,993
Adult Basic Education - English Literacy & Civics Education - Local Grant	84.002A	14109	123,012
Total Adult Education - Basic Grants to States Cluster			302,557
Carl D. Perkins- Vocational Ed Formula Grants Cluster:			
Carl D. Perkins Vocational and Technical Education Act of 1998 Technology Secondary II C, Section 131	84.048	14894	195,131
Carl D. Perkins Career and Technical Education: Adult, Section 132	84.048	14893	32,299
Total Carl D. Perkins- Vocational Ed Formula Grants Cluster			227,430
Advanced Placement Program	84.330C	[1]	14,414
U.S. DEPARTMENT OF EDUCATION			
Passed through Los Angeles County Special Education Local Plan Area:			
Special Education Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	2,370,258
Local Assistance, Part B, Section 611, Private School ISPs	84.027	10115	6,437
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	79,882
Preschool Local Entitlement, Part B, Section 611 (Age 3-4-5)	84.027A	13682	291,799
Preschool Staff Development, Part B, Section 619	84.173A	13431	2,243
Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	300,812
Total Special Education Cluster			3,051,431
Total U.S. Department of Education			8,793,354

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

See accompanying note to supplementary information.

LYNWOOD UNIFIED SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
Especially Needy Breakfast	10.553	13526	\$ 649,606
National School Lunch Program	10.555	13524	5,276,144
Meal Supplement	10.555	13396	221,217
Food Distribution	10.555	13524	768,902
Total Child Nutrition Cluster			<u>6,915,869</u>
CCFP Claims - Centers and Family Day Care	10.558	13393	99,069
Fresh Fruit and Vegetable Program	10.582	14968	212,666
Total U.S. Department of Agriculture			<u>7,227,604</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medicaid Assistance Program			
Medi-Cal Billing Option	93.778	10013	66,629
Medi-Cal Administrative Activities Program	93.778	10060	87,498
Total Medicaid Assistance Program			<u>154,127</u>
Passed through Los Angeles County Office of Education (LACOE):			
Child Development: Federal Child Care, Center-based	93.596	13609	7,549
Total U.S. Department of Health and Human Services			<u>161,676</u>
Total Federal Programs			<u>\$ 16,182,634</u>

See accompanying note to supplementary information.

LYNWOOD UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2018

ORGANIZATION

The Lynwood Unified School District was established on July 1, 1950, and consists of an area comprising approximately 6.5 square miles. The District operates twelve elementary, three middle, two high schools, a continuation high school, an adult regional occupational program, and two child care centers. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Gary Hardie Jr.	President	November 2020
Maria G. Lopez	Vice President	November 2020
Briseida Gonzalez, MSW	Clerk	November 2020
Alfonso Morales, Esq.	Member	November 2022
Alma Delia Renteria	Member	November 2022

ADMINISTRATION

Gudiel R. Crosthwaite, Ph.D.	Superintendent
Peter Wong	Interim Chief Business Official, as of June 30, 2018
Gregory Fromm	Chief Business Official, as of December 27, 2018

See accompanying note to supplementary information.

LYNWOOD UNIFIED SCHOOL DISTRICT

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

	Final Report	
	Revised Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	4,167.31	4,146.17
Fourth through sixth	3,205.53	3,186.44
Seventh and eighth	2,093.52	2,080.40
Ninth through twelfth	3,918.00	3,874.06
Total Regular ADA	13,384.36	13,287.07
Extended Year Special Education		
Transitional kindergarten through third	0.35	0.35
Fourth through sixth	0.26	0.26
Seventh and eighth	1.06	1.06
Ninth through twelfth	1.75	1.75
Total Extended Year Special Education	3.42	3.42
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	2.62	2.67
Fourth through sixth	4.68	2.86
Seventh and eighth	5.08	6.65
Ninth through twelfth	12.02	11.11
Total Special Education, Nonpublic, Nonsectarian Schools	24.40	23.29
Total ADA	13,412.18	13,313.78

See accompanying note to supplementary information.

LYNWOOD UNIFIED SCHOOL DISTRICT

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

Grade Level	1986-87	2017-18	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	58,920	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		50,400	180	N/A	Complied
Grade 2		50,400	180	N/A	Complied
Grade 3		50,400	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,000	180	N/A	Complied
Grade 5		54,000	180	N/A	Complied
Grade 6		54,000	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		54,332	180	N/A	Complied
Grade 8		54,332	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		64,837	180	N/A	Complied
Grade 10		64,837	180	N/A	Complied
Grade 11		64,837	180	N/A	Complied
Grade 12		64,837	180	N/A	Complied

See accompanying note to supplementary information.

LYNWOOD UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	General Fund	Child Development Fund	Cafeteria Fund	Self-Insurance Fund
FUND BALANCE				
Balance, June 30, 2018, Unaudited Actuals	\$ 36,497,116	\$ 28	\$ 1,887,711	\$ 1,122,370
Decrease in:				
Account receivable	(204,724)	(376,528)	-	-
Deferred revenue	235,686	7,549	212,666	-
Increase in:				
Accounts payable	-	-	(7,984)	-
Claims liability	-	-	-	(2,841,000)
Balance, June 30, 2018, Audited Financial Statements	<u>\$ 36,528,078</u>	<u>\$ (368,951)</u>	<u>\$ 2,092,393</u>	<u>\$ (1,718,630)</u>

See accompanying note to supplementary information.

LYNWOD UNIFIED SCHOOL DISTRICT

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

	(Budget) ¹			
	2019	2018	2017	2016
GENERAL FUND ⁴				
Revenues	\$ 177,730,724	\$ 182,906,450	\$ 184,051,019	\$ 178,810,095
Other sources and transfers in	2,268,153	-	-	19,295,365
Total Revenues and Other Sources	179,998,877	182,906,450	184,051,019	198,105,460
Expenditures	182,694,106	173,332,078	174,129,961	167,320,638
Other uses and transfers out	-	4,553,537	416,000	20,022,490
Total Expenditures and Other Uses	182,694,106	177,885,615	174,545,961	187,343,128
INCREASE (DECREASE) IN FUND BALANCE	\$ (2,695,229)	\$ 5,020,835	\$ 9,505,058	\$ 10,762,332
ENDING FUND BALANCE	\$ 33,653,255	\$ 36,348,484	\$ 31,327,649	\$ 21,822,591
AVAILABLE RESERVES ²	\$ 22,386,297	\$ 26,213,263	\$ 22,418,501	\$ 16,325,257
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	12.25%	14.74%	12.84%	8.71%
LONG-TERM OBLIGATIONS ⁵	N/A	\$ 133,207,500	\$ 119,441,430	\$ 104,476,530
K-12 AVERAGE DAILY ATTENDANCE AT P-2	13,245	13,412	13,780	14,000

The General Fund balance has increased by \$14,525,893 over the past two years. The fiscal year 2018-2019 budget projects a decrease of \$2,695,229 (7.41 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in all of the past three years but anticipates incurring an operating deficit during the 2018-2019 fiscal year. Total long-term obligations have increased by \$28,730,970 over the past two years.

Average daily attendance has decreased by 588 over the past two years. Additional decline of 167 ADA is anticipated during fiscal year 2018-2019.

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

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

³ On behalf payments of \$4,091,216 has been excluded from the calculation of available reserves for the fiscal years ending June 30, 2016.

⁴ General Fund amounts do not include activity related to the consolidation of the Adult Education Fund and the Deferred Maintenance Fund as required by GASB Statement No. 54.

⁵ Long-term obligations have been restated due to the implementation of GASB 75.

See accompanying note to supplementary information.

LYNWOOD UNIFIED SCHOOL DISTRICT

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

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	\$ 77,154	\$ 1,706,813	\$ 1,009,352
Receivables	154,322	1,248,680	18,444
Stores inventories	-	64,564	-
Total Assets	<u>\$ 231,476</u>	<u>\$ 3,020,057</u>	<u>\$ 1,027,796</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 600,427	\$ 927,664	\$ -
Fund Balances:			
Nonspendable	-	65,064	-
Restricted	-	1,782,844	-
Assigned	-	244,485	1,027,796
Unassigned	(368,951)	-	-
Total Fund Balances	<u>(368,951)</u>	<u>2,092,393</u>	<u>1,027,796</u>
Total Liabilities and Fund Balances	<u>\$ 231,476</u>	<u>\$ 3,020,057</u>	<u>\$ 1,027,796</u>

See accompanying note to supplementary information.

County School Facilities Fund	Bond Interest and Redemption Fund	Tax Override Fund	Total Non-Major Governmental Funds
\$ 2,313,156	\$ 4,912,487	\$ 5,897	\$ 10,024,859
12,794	-	33	1,434,273
-	-	-	64,564
<u>\$ 2,325,950</u>	<u>\$ 4,912,487</u>	<u>\$ 5,930</u>	<u>\$ 11,523,696</u>

\$ 91,051	\$ -	\$ -	\$ 1,619,142
-	-	-	65,064
1,799,095	4,912,487	-	8,494,426
435,804	-	5,930	1,714,015
-	-	-	(368,951)
<u>2,234,899</u>	<u>4,912,487</u>	<u>5,930</u>	<u>9,904,554</u>
<u>\$ 2,325,950</u>	<u>\$ 4,912,487</u>	<u>\$ 5,930</u>	<u>\$ 11,523,696</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2018

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund
REVENUES			
Federal sources	\$ 7,549	\$ 7,227,604	\$ -
Other State sources	1,678,183	442,846	-
Other local sources	96,514	171,178	81,632
Total Revenues	1,782,246	7,841,628	81,632
EXPENDITURES			
Current			
Instruction	3,231,764	-	-
Instruction-related activities:			
Supervision of instruction	11,073	-	-
School site administration	987,844	-	-
Pupil services:			
Food services	-	7,688,663	-
All other pupil services	1,034	-	-
Administration:			
All other administration	-	362,605	-
Plant services	77,121	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	4,308,836	8,051,268	-
Excess (Deficiency) of Revenues Over Expenditures	(2,526,590)	(209,640)	81,632
Other Financing Sources			
Transfers in	2,157,613	-	-
NET CHANGE IN FUND BALANCES	(368,977)	(209,640)	81,632
Fund Balances - Beginning	26	2,302,033	946,164
Fund Balances - Ending	\$ (368,951)	\$ 2,092,393	\$ 1,027,796

See accompanying note to supplementary information.

County School Facilities Fund	Bond Interest and Redemption Fund	Tax Override Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 7,235,153
-	54,279	-	2,175,308
35,875	6,413,114	91	6,798,404
35,875	6,467,393	91	16,208,865
-	-	-	3,231,764
-	-	-	11,073
-	-	-	987,844
-	-	-	7,688,663
-	-	-	1,034
-	-	-	362,605
-	-	-	77,121
-	1,865,047	-	1,865,047
-	2,806,425	-	2,806,425
-	4,671,472	-	17,031,576
35,875	1,795,921	91	(822,711)
-	-	-	2,157,613
35,875	1,795,921	91	1,334,902
2,199,024	3,116,566	5,839	8,569,652
\$ 2,234,899	\$ 4,912,487	\$ 5,930	\$ 9,904,554

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of the funds noted below that have been recorded in the current period as revenues that have not been expended as of June 30, 2018.

Total Federal Revenues From the Statement of Revenues,	
Expenditures, and Changes in Fund Balances:	\$ 16,203,763
Medi-Cal Billing Option	<u>(21,129)</u>
Total Schedule of Expenditures of Federal Awards	<u>\$ 16,182,634</u>

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 47612 through 47612.5.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by Education Code Section 47612.5.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.
Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

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

INDEPENDENT AUDITOR'S REPORTS



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

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

Governing Board
Lynwood Unified School District
Lynwood, 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 Lynwood Unified School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 22, 2019.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies; item 2018-001, 2018-002, and 2018-003.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated February 22, 2019.

Lynwood Unified School District's Response to Findings

Lynwood Unified School District's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Lynwood Unified School District's response was not subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
February 22, 2019



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

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

Governing Board
Lynwood Unified School District
Lynwood, California

Report on Compliance for Each Major Federal Program

We have audited Lynwood 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 the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.

Purpose of This Report

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
February 22, 2019



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

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Lynwood Unified School District
Lynwood, California

Report on State Compliance

We have audited Lynwood Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's state government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

Basis for Qualified Opinion on Instructional Material Program

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding the Instructional Materials program as discussed in Finding 2018-004. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on Instructional Material Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below

	Procedures Performed
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

CHARTER SCHOOLS

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

The District's Independent Study Program ADA is below the level required for testing; therefore, we did not perform 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 any Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

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

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

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
February 22 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LYNWOOD UNIFIED SCHOOL DISTRICT

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

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>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

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

<u>Name of Program</u>
<u>Instructional Material Program</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
30000	Internal Control

2018-001 30000

Payroll and Personnel

Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such procedures should include proper design of internal controls for payroll and personnel.

Condition

During our review of the payroll and personnel process the following items were noted:

1. There are various procedures that are not uniform from certificated and classified departments that have results in several conditions. Various conditions include:
 - a) an employee was not terminated from the system four months after termination date,
 - b) personnel assignment order forms are not used for classified employees but are used for certificated employees,
 - c) various employees were noted as working prior to getting board approval, and
 - d) mismatches occurring in the position control and classification process.
2. The notes within the "Soft Time" system can be modified at any given time by anyone who is assigned access to the "Soft Time" system.
3. The summary of time generated from the "Soft Time" system does not include a signature from the preparer.
4. Non-exempt monthly (hourly) employees have a default profile within the "Soft Time" system. It was determined that if the employee is not working the hours the "Soft Time" system is not adjusted for the correct amount.
5. The "Soft Time" system can be modified after the payroll cycle. There is no lockout method to stop changes to the system for prior periods.
6. Time sheets utilized by various departments are not signed by employee or supervisor.
7. During our review of the time sheets it was determined that there have been instances that COMP time has not been properly approved or traced accurately within the "Soft Time" system.
8. It was determined that an employee that has access to the "Soft Time" system also has access

LYNWOOD UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

to their own profile within the "Soft Time" system and can make changes to the system after the period is passed.

Questioned costs

None

Context

The condition identified was determined based on the testing of payroll and personnel process as well as inquiry made with several personnel in both payroll and personnel departments.

Effect

Time delay of correction to personnel information and employee payroll updates.

Cause

It appears that the condition materialized due to the capabilities of the system. The District is aware of the situation and has been active in developing ways to correct all conditions identified during the audit.

Recommendation

It is recommended that the District review all conditions and design proper controls and procedures to ensure that all updated information as well as proper reporting of employee time are designed properly.

Corrective Action Plan

The District is still in the process of implementation a new time payroll time keeping system and replacing the current "Soft Time" payroll time keeping system. With the new system, employees' work hours are reported electronically through a scanner, which will eliminate the payroll issues related to the inconsistency in the "Soft Time" system.

The Classified and Certificated Human Resources Departments will develop and standardize the personnel forms and procedures to streamline the communication with Payroll, which allows Payroll to process employee paycheck in a more timely and accurate manner.

This will be resolved with implementation of the BEST project; with a go-live date of January 1, 2020 for the new human resource and payroll information systems, as part of the larger conversion to an integrated Enterprise resource planning system beginning at the end of the current fiscal year

LYNWOOD UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

2018-002 30000

Child Development Fund Deficit fund Balance

Criteria or Specific Requirements

The governing board of any school district that reported a fund balance in the annual report required by Education Code Section 42127 or in the audited annual financial statements required by Section 41020 shall include with the budget submitted in accordance with Education Code Section 42127 and the certifications required by Education Code Section 35015 a statement that identifies the reasons for the negative fund balance and the steps that have been taken to ensure that the negative balance will not occur at the end of the current fiscal year.

Condition

At June 30, 2018, the District Child Development Fund had a negative fund balance of \$368,951.

Questioned costs

There were no questioned costs associated with the condition found.

Context

The condition identified was determined through review and testing related to the District's accounts receivable which identified a prior year balance that was not cleared in the current year.

Effect

The financial statement impact of this situation is that the Child Development Fund could be at risk of not being able to meet its financial obligations and maintain current service levels without additional encroachment on the General Fund.

Cause

The cause is related to timing differences at year-end and not enough funds coming from the General Fund to bring the fund balance positive as of year-end.

Recommendation

As this appears to be related to timing differences with the temporary loan given to the Child Development Fund by the General Fund this should be monitored more closely to avoid the occurrence of a negative fund balance at year-end.

LYNWOOD UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

Corrective Action Plan

To correct the timing issue, the District will transfer cash from the General Fund to the Child Development Fund quarterly, instead of annually, in accordance with the budget. Long term, the District is seeking additional funding sources that will allow the Child Development Fund to be self-supporting.

2018-003 30000

Internal Service Fund Deficit fund Balance

Criteria or Specific Requirements

The governing board of any school district that reported a fund balance in the annual report required by Education Code Section 42127 or in the audited annual financial statements required by Section 41020 shall include with the budget submitted in accordance with Education Code Section 42127 and the certifications required by Education Code Section 35015 a statement that identifies the reasons for the negative fund balance and the steps that have been taken to ensure that the negative balance will not occur at the end of the current fiscal year.

Condition

At June 30, 2018, the District Internal Service Fund had a negative fund balance of \$1,718,630.

Questioned costs

There were no questioned costs associated with the condition found.

Context

The condition identified was determined through review and testing related to the District's Claims liability was understated based on the June 30, 2018, actuarial report.

Effect

The financial statement impact of this situation is that the Internal Service Fund could be at risk of not being able to meet its financial obligations and maintain current service levels without additional encroachment on the General Fund.

Cause

The cause is related to timing differences at year-end and not enough funds coming from the General Fund to bring the fund balance positive as of year-end.

LYNWOOD UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

Recommendation

As this appears to be related to timing differences with the temporary loan given to the Internal Service Fund by the General Fund this should be monitored more closely to avoid the occurrence of a negative fund balance at year-end.

Corrective Action Plan

The timing difference and temporary loan given to the Internal Service Fund related to changes in reconciliation process when changing from being self-insured for workers' compensation liability, to becoming a member of a JPA. The new process has now been fully implemented to ensure timely transfer of cash from other funds.

LYNWOOD UNIFIED SCHOOL DISTRICT

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

None reported.

LYNWOOD UNIFIED SCHOOL DISTRICT

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

The following findings represent instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
70000	Instructional Materials

2018-004 70000

Criteria or Specific Requirements

Public hearing or hearings required by *Education Code section 60119* on or before the end of the eighth week from the first day pupils attended school for that year, or, in a school district or COE having schools that operate on a multitrack, year-round calendar, on or before the end of the eighth week from the first day pupils attended school for that year on any track that began in August or September.

Condition

The District is required to hold a public hearing on or before the end of the eighth week from the first day pupils attended school for the year. The District held the public hearing on October 24, 2017, which was 7 days after the deadline of October 13, 2017.

Questioned costs

None

Context

The District did not hold a public hearing within the time frame required.

Effect

As a result of our testing, the District was not compliant with *Education Code section 60119* for the 2017-2018 fiscal year since the District did not hold the public hearing in a timely manner.

Cause

The District did not monitor the date to ensure it was performed within the required time frame.

Recommendation

It is recommended that the District implement procedures to ensure that the public hearing is performed in the time frame as noted in the above referenced Education Code.

LYNWOOD UNIFIED SCHOOL DISTRICT

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

Corrective Action Plan

District's policies and procedures have been developed to prevent this delay from occurring in the future.

LYNWOOD UNIFIED SCHOOL DISTRICT

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

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

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
30000	Internal Control

2017-001 30000

Payroll and Personnel

Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such procedures should include proper design of internal controls for payroll and personnel.

Condition

During our review of the payroll and personnel process the following items were noted:

1. It was noted that there are various procedures that are not uniform from certificated and classified departments that have results in several conditions. Various conditions include:
 - a) an employee was not terminated from the systems four months after termination date,
 - b) personnel assignment order forms are not used for classified employees but are used for certificated employees,
 - c) various employees were noted as working prior to getting board approval, and
 - d) mismatches occurring in the position control and classification process.
2. The notes within the "Soft Time" system can be modified at any given time by anyone who is assigned access to the "Soft Time" system.
3. It was noted that the summary of time generated from the "Soft Time" system does not include a signature from the preparer.
4. It was noted that Non-exempt monthly (hourly) employees have a default profile within the "Soft Time" system. It was determined that if the employee is not working the hours the "Soft Time" system is not adjusted for the correct amount.

LYNWOOD UNIFIED SCHOOL DISTRICT

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

5. The "Soft Time" system can be modified after the payroll cycle. There is no lockout method to stop changes to the system for prior periods.
6. Time sheets utilized by various departments are not signed by employee or supervisor.
7. During our review of the time sheets it was determined that there have been instances that COMP time has not be properly approved or traced accurately within the "Soft Time system".
8. It was determined that an employee that has access to the "Soft Time" system also have access to their own profile within the "Soft Time" system and can make changes to the system after the period is passed.

Questioned costs

None

Context

The condition identified was determined based on the testing of payroll and personnel process as well an inquiry made with several personnel in both payroll and personnel departments.

Effect

Time delay of correction to personnel information and employee payroll updates.

Cause

The District is aware of the situation and has been active in developing ways to correct all conditions identified during the audit.

Recommendation

It is recommended that the District review all conditions and design proper controls and procedures to ensure that all updated information as well as proper reporting of employee time are designed properly.

Current Status

Not implemented; see current year finding 2018-001.

LYNWOOD UNIFIED SCHOOL DISTRICT

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

2017-002 30000

Child Development Fund Deficit Cash Balance

Criteria or Specific Requirements

The governing board of any school district that reported a negative cash balance in the annual report required by Education Code Section 42127 or in the audited annual financial statements required by Section 41020 shall include with the budget submitted in accordance with Education Code Section 42127 and the certifications required by Education Code Section 35015 a statement that identifies the reasons for the negative cash balance and the steps that have been taken to ensure that the negative balance will not occur at the end of the current fiscal year.

Condition

At June 30, 2017, the District Child Development Fund had a negative cash balance of \$924,353.

Questioned costs

There were no questioned costs associated with the condition found.

Context

The condition identified was determined through review and testing related to the District's General Fund deposits and investments.

Effect

The financial statement impact of this situation is that the Child Development Fund could be at risk of not being able to meet its financial obligations and maintain current service levels without additional encroachment on the General Fund.

Cause

The cause is related to timing differences at year-end and not enough funds coming from the General Fund to bring the cash balance positive as of year-end.

Recommendation

As this appears to be related to timing differences with the temporary loan given to the Child Development Fund by the General Fund this should be monitored more closely to avoid the occurrence of a negative cash balance at year-end.

Current Status

Not Implemented, see current year finding 2018-002.

LYNWOOD UNIFIED SCHOOL DISTRICT

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

2017-003 70000

Criteria or Specific Requirements

Public hearing or hearings required by *Education Code section 60119* on or before the end of the eighth week from the first day pupils attended school for that year, or, in a school district or COE having schools that operate on a multitrack, year-round calendar, on or before the end of the eighth week from the first day pupils attended school for that year on any track that began in August or September.

Condition

The District is required to hold a public hearing on or before the end of the eighth week from the first day pupils attended school for the year. The District held the public hearing on October 25, 2016 which was 11 days after the deadline of October 14, 2016.

Questioned costs

None

Context

The District did not hold a public hearing within the time frame required.

Effect

As a result of our testing, the District was not compliant with *Education Code section 60119* for the 2016-2017 fiscal year since the District did not hold the public hearing in a timely manner.

Cause

The District did not monitor the date to ensure it was performed within the required time frame.

Recommendation

It is recommended that the District implement procedures to ensure that the public hearing is performed in the time frame as noted in the above referenced Education Code.

Current Status

Not implemented; see current year finding 2018-004.



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

VALUE THE *difference*

Governing Board
Lynwood Unified School District
Lynwood, California

In planning and performing our audit of the financial statements of Lynwood Unified School District, (the District) for the year ended June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated February 22, 2019 on the government-wide financial statements of the District.

2017-2018 Observations and Recommendations

Chavez Middle School – Associated Student Body – Revenue Potentials

Observation

Revenue potential forms do not have actuals that can help analyze the profitability by comparing the budget and actual expenses and profits.

Recommendation

As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed 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.

Chavez Middle School – Associated Student Body – Inventory Count

Observation

In reviewing the monthly reconciliation and financial statements as well as inquiry it was noted no inventory count was performed for the current year. The purpose of performing the monthly inventory reconciliation is to ensure that no errors have occurred in counting inventory and that the inventory balances, and monthly activity is accurately reported.

Recommendation

The site should ensure that the reconciled details of assets of the student body equal the balances in the financial statements. If an unreconciled difference is found, it should be investigated to determine in what account (asset, liability, agency or trust account balance) the error has occurred. The account would then be adjusted appropriately.

Lynwood High School - Associated Student Body – Revenue Potentials

Observation

Auditor noted incomplete / missing revenue potentials for fundraisers.

Recommendation

Revenue earned in the Student Body fund is subject to greater risk of loss due to the nature of the fundraising events and decentralization of the cash collection procedures. Increased internal control procedures over these activities will assist the District in decreasing the risk of potential losses of the student body funds. One important internal control feature is the Revenue Potential Form. The revenue potential form is important because it shows whether or not all the monies that should have been raised and turned in actually were based on the price of the item and number sold. The form is also used to document overages and shortages or losses of merchandise. A secondary tool that the form accomplishes is to allow the bookkeeper to compare the advisors log of the deposits made for the fundraiser to the financial records of the appropriate account to ensure that all entries were correctly posted. The site administrator should ensure that these forms are completed and turned in to the bookkeeper at the conclusion of the fundraiser.

Marco Antonio Firebaugh High School – Associated Student body – Revenue Potentials

Observation

Revenue potential forms are not being used to document and control fundraising activities as they occur. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

Recommendation

As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed 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.

Marco Antonio Firebaugh High School – Associated Student body – Ticket Sales Recap

Observation

A ticket sales recap form does not include explanation for overages/shortages, which explain if differences appear reasonable.

Recommendation

A ticket sales recap form serves the purpose of calculating, based on the number of tickets sold out of the roll and the price per ticket, the amount of cash that should have been collected. The recap should be reconciled to the cash deposit forwarded to the bookkeeper. This procedure documents overages and shortages of cash and informs site personnel about potential problems in cash collections. The forms should be filed along with the deposit form and other pertinent documents. As well as explaining overages/shortages.

2016-2017 Observations and Recommendations

Lynwood High School - Associated Student Body – Revenue Potentials

Observation

Auditor noted incomplete / missing revenue potentials for fundraisers.

Recommendation

Revenue earned in the Student Body fund is subject to greater risk of loss due to the nature of the fundraising events and decentralization of the cash collection procedures. Increased internal control procedures over these activities will assist the District in decreasing the risk of potential losses of the student body funds. One important internal control feature is the Revenue Potential Form. The revenue potential form is important because it shows whether or not all the monies that should have been raised and turned in actually were based on the price of the item and number sold. The form is also used to document overages and shortages or losses of merchandise. A secondary tool that the form accomplishes is to allow the bookkeeper to compare the advisors log of the deposits made for the fundraiser to the financial records of the appropriate account to ensure that all entries were correctly posted. The site administrator should ensure that these forms are completed and turned in to the bookkeeper at the conclusion of the fundraiser.

Status

Not implemented

Lynwood High School - Associated Student Body – Master Ticket Log

Observation

Auditor noted discrepancies between ticket sales and the master ticket log. As a result, auditor was unable to determine if cash collected is intact.

Recommendation

A master ticket log should be maintained which notes the type of ticket, color, and current beginning ticket number in the roll. The tickets should be safeguarded as if they were cash because stolen tickets would equate to lost revenue for the site because these tickets could be presented for admission rather than an individual paying for admission. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales are returned, the ticket sales should be reconciled to the log.

Status

Implemented

Lynwood High School - Associated Student Body – Inadequate Cash Collection Procedures

Observation

Auditor noted that there was no backup for deposits collected by the clubs for fundraisers.

Recommendation

All cash collections should be traceable to the source. If club advisors collecting cash are not issued receipt books, they should issue and utilize tally sheets, pre-numbered receipts; a collection log; or class rosters with collection information as to the source of the deposit. The Associated Student Body bookkeeper should compare the backup information to the cash count form to ensure that cash counted agrees with the cash that should have been collected.

Status

Implemented

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
February 22, 2019