

LYNWOOD UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

LYNWOOD UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



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, 2016, 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 *2015-2016 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedule on page 72, schedule of other postemployment benefits funding progress on page 73, schedule of the district's proportionate share of net pension liability on page 74, and the schedule of district contributions on page 75, 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* and the other supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lynwood Unified School District's internal control over financial reporting and compliance.

Vannink, Tein, Day & Co., LLP

Rancho Cucamonga, California
December 28, 2016



LYNWOOD UNIFIED SCHOOL DISTRICT BUSINESS SERVICES DIVISION

11321 Bullis Road * Lynwood, CA 90262 * (310) 886-1600

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, 2016, with comparative information from 2015. 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 Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Activities* 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.

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.

LYNWOOD UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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, 2016

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, 2016, the Restricted and Unrestricted General Fund reported a combined fund balance of approximately \$22.9 million, an increase of approximately \$11.8 million over last year's ending balance. A large portion of the increase was attributed to the spending down of prior year carryover.
- The total reported revenue in the General Fund was approximately \$181.2 million. The Local Control Funding Formula Cost of Living Adjustment was 1.565 percent. Compared to 2014-2015, the total revenues were approximately \$25.1 million more. The increase was attributed primarily to the new State Local Control Funding Formula and the additional revenue of the supplement and concentration grants included in the LCFF.
- The General Fund total expenditure was approximately \$24.9 million higher compared to 2014-2015.
- As of June 30, 2016, the General Fund reported an unrestricted reserve for economic uncertainties approximately \$4.8 million.
- Continued declining enrollment which resulted in 14,000 ADA, a loss of 166 ADA from 2014-2015.

LYNWOOD UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$109,276,658 for the fiscal year ended June 30, 2016. Of this amount, \$(119,055,616) 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	
	2016	2015
Assets		
Current and other assets	\$ 88,310,146	\$ 59,986,582
Capital assets	275,122,644	284,390,824
Total Assets	363,432,790	344,377,406
Deferred Outflows of Resources	36,074,690	8,842,396
Liabilities		
Current liabilities	34,093,731	21,454,179
Long-term obligations	104,476,530	95,435,709
Pension liability	125,667,823	97,012,748
Total Liabilities	264,238,084	213,902,636
Deferred Inflows of Resources	25,992,738	27,713,903
Net Position		
Net investment in capital assets	218,056,887	228,789,876
Restricted	10,275,387	11,230,531
Unrestricted (Deficit)	(119,055,616)	(128,417,144)
Total Net Position	\$ 109,276,658	\$ 111,603,263

LYNWOOD UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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	
	2016	2015
Revenues		
Program Revenues:		
Charges for services	\$ 273,690	\$ 263,145
Operating grants and contributions	34,719,271	27,550,489
General Revenues:		
Federal and State aid	139,940,081	117,214,570
Property taxes	15,037,997	9,234,505
Other general revenues	11,286,229	18,571,040
Total Revenues	<u>201,257,268</u>	<u>172,833,749</u>
Expenses		
Instruction-related	134,880,110	122,726,131
Pupil services	19,586,373	19,129,805
General administration	16,703,209	12,331,990
Plant services	22,403,766	22,823,466
Other	10,010,415	10,407,299
Total Expenses	<u>203,583,873</u>	<u>187,418,691</u>
Change in Net Position	<u>\$ (2,326,605)</u>	<u>\$ (14,584,942)</u>

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$203,583,873. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$15,037,997 because the cost was paid by those who benefited from the programs \$273,690 or by other governments and organizations who subsidized certain programs with grants and contributions of \$34,719,271. The remaining "public benefit" portion of our governmental activities was paid with \$139,940,081 in Federal and State aid and \$11,577,629 with other General Fund revenue sources such as interest and general entitlements.

LYNWOOD UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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	
	2016	2015	2016	2015
Instruction	\$ 111,548,043	\$ 101,959,827	\$ 93,972,793	\$ 91,112,728
Instruction-related activities	23,332,067	20,766,304	17,989,597	15,423,652
Pupil services	19,586,373	19,129,805	10,318,569	10,556,037
General administration	16,703,209	12,331,990	15,890,100	11,078,833
Plant services	22,403,766	22,823,466	22,252,941	22,542,828
Other	10,010,415	10,407,299	8,166,812	8,890,979
Total	\$ 203,583,873	\$ 187,418,691	\$ 168,590,812	\$ 159,605,057

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$46,950,722, which is an increase of \$18,981,594 from last year (Table 4).

Table 4

	Balances and Activity			
	July 1, 2015	Revenues	Expenditures	June 30, 2016
General Fund	\$ 11,060,263	\$ 199,182,825	\$ 187,392,620	\$ 22,850,468
Building Fund	8,259,237	10,289,988	3,767,342	14,781,883
Non-Major Governmental Funds	8,649,633	15,624,481	15,361,255	8,912,859
Total	\$ 27,969,133	\$ 225,097,294	\$ 206,521,217	\$ 46,545,210

The primary reason for this increase is our General Fund. The fund balance in the General Fund increased by \$11,790,205 to \$22,850,468. This decrease is due to the overall cost for modernization.

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 2016. (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 72).

LYNWOOD UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had \$275,122,644 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 \$9,268,180, or 3.26 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2016	2015
Land	\$ 32,298,855	\$ 32,298,855
Construction in progress	3,029,863	2,342,791
Land improvements	4,303,066	2,929,268
Buildings and improvements	229,840,813	241,213,584
Equipment	5,650,047	5,606,326
Total	\$ 275,122,644	\$ 284,390,824

Long-Term Obligations

At June 30, 2016, the District had \$81,316,389 in general obligation bonds, bond anticipation notes and certificates of participation outstanding compared to \$73,414,824 on June 30, 2015, an increase of 10.76 percent. Other obligations consisted of those items listed in Table 6 below.

Table 6

	Governmental Activities	
	2016	2015
General obligation bonds	\$ 51,976,389	\$ 43,559,824
Premium on bonds	4,076,075	2,121,547
Bond anticipation note	9,380,000	9,380,000
Certificates of participation	19,960,000	20,475,000
Compensated absences	1,959,720	1,874,205
PARS retirement	633,668	1,692,603
Claims Liabilities	8,497,000	8,497,000
OPEB obligation, net	7,588,226	7,041,530
Total	\$ 104,476,530	\$ 94,641,709

Other obligations include compensated absences payable, supplemental early retirement plans, claims liabilities, and postemployment benefits (not including health benefits). We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

LYNWOOD UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

Net Pension Liability (NPL)

As of June 30, 2016 and 2015, the total net pension liability as required by GASB Statement No. 68 was \$125,667,823 and \$97,012,748 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. At full implementation, the LCFF will fund every student at the same base rate. It is projected that it will take approximately eight years until full implementation is reached; therefore, this will make it difficult to project future revenues. However, the State provides some data that enables the district to project future years' revenue conservatively.

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 2015-16 P-2 ADA of 13,987.

The local control funding formula is computed using Cost of Living Adjustment (COLA) of 0 percent and 54.18 percent of the GAP Funding in 2016-2017. Per student ADA funding, under LCFF, will be estimated at \$10,607.

The declining enrollment trend continues in Lynwood Unified School District and multi-year projections included in the budget assumes declining ADA of 1.67 percent in the subsequent two fiscal years.

THE FUTURE

Beginning in 2013-2014 fiscal year the Governor's new fiscal initiative, the Local Control Funding Formula (LCFF), replaced the former Revenue Limit funding model. The LCFF is anticipated to provide only slight increases in state revenues over the remaining five years of implementation. Multi-year financial projections for Lynwood Unified indicate an improvement in funding levels that will contribute to the financial stability of the district. A continuing concern is declining enrollment. On average, about three hundred fewer students than the previous year's enrollment have been realized on an annual basis. This means a year over year loss in revenue of three million dollars beginning in 2017-18 fiscal year.

LYNWOOD UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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 mdunn@mylusd.org.

LYNWOOD UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2016

	Governmental Activities
ASSETS	
Deposits and investments	\$ 73,502,369
Receivables	13,558,392
Prepaid expenses	79,820
Stores inventories	282,044
Other current assets	887,521
Capital assets	
Land and construction in process	35,328,718
Other capital assets	407,952,531
Less: Accumulated depreciation	(168,158,605)
Total Capital Assets	<u>275,122,644</u>
Total Assets	<u>363,432,790</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	1,308,804
Deferred outflows of resources related to pensions	<u>34,765,886</u>
Total Deferred Outflows of Resources	<u>36,074,690</u>
LIABILITIES	
Accounts payable	26,551,977
Interest payable	926,273
Unearned revenue	5,821,481
Claims liability	794,000
Current portion of long-term obligations other than pensions	2,610,836
Noncurrent portion of long-term obligations other than pensions	<u>101,865,694</u>
Total Long-Term Obligations Other Than Net Pension Liability	<u>104,476,530</u>
Aggregate net pension liability	<u>125,667,823</u>
Total Liabilities	<u>264,238,084</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>25,992,738</u>
NET POSITION	
Net investment in capital assets	218,056,887
Restricted for:	
Debt service	2,113,708
Capital projects	3,012,393
Educational programs	5,149,286
Unrestricted (deficit)	<u>(119,055,616)</u>
Total Net Position	<u>\$ 109,276,658</u>

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

LYNWOD UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 111,548,043	\$ 62,638	\$ 17,512,612	\$ (93,972,793)
Instruction-related activities:				
Supervision of instruction	8,585,465	7,829	4,260,015	(4,317,621)
Instructional library, media, and technology	996,632	301	3,575	(992,756)
School site administration	13,749,970	9,787	1,060,963	(12,679,220)
Pupil services:				
Home-to-school transportation	1,823,033	-	-	(1,823,033)
Food services	8,527,826	179,192	7,492,992	(855,642)
All other pupil services	9,235,514	619	1,595,001	(7,639,894)
Administration:				
Data processing	3,916,500	-	-	(3,916,500)
All other administration	12,786,709	9,115	803,994	(11,973,600)
Plant services	22,403,766	4,209	146,616	(22,252,941)
Ancillary services	639,794	-	-	(639,794)
Community services	879,701	-	519,475	(360,226)
Enterprise services	890	-	-	(890)
Interest on long-term obligations	5,038,269	-	-	(5,038,269)
Other outgo	3,451,761	-	1,324,028	(2,127,733)
Total Governmental Activities	\$ 203,583,873	\$ 273,690	\$ 34,719,271	(168,590,912)
General revenues and subventions:				
Property taxes, levied for general purposes				12,038,767
Property taxes, levied for debt service				2,746,498
Taxes levied for other specific purposes				252,732
Federal and State aid not restricted to specific purposes				139,940,081
Interest and investment earnings				319,549
Miscellaneous				10,966,680
Subtotal, General Revenues				166,264,307
Change in Net Position				(2,326,605)
Net Position - Beginning				111,603,263
Net Position - Ending				\$ 109,276,658

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

LYNWOOD UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2016

	General Fund	Building Funds	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 41,141,155	\$ 14,870,632	\$ 8,106,378	\$ 64,118,165
Receivables	11,055,601	32,985	2,440,974	13,529,560
Due from other funds	569,744	7,398	7,381	584,523
Prepaid expenditures	79,820	-	-	79,820
Stores inventories	217,480	-	64,564	282,044
Other current assets	887,521	-	-	887,521
Total Assets	\$ 53,951,321	\$ 14,911,015	\$ 10,619,297	\$ 79,481,633
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 25,484,808	\$ 121,685	\$ 931,527	\$ 26,538,020
Due to other funds	14,779	7,447	554,696	576,922
Unearned revenue	5,601,266	-	220,215	5,821,481
Total Liabilities	31,100,853	129,132	1,706,438	32,936,423
Fund Balances:				
Nonspendable	348,050	-	65,314	413,364
Restricted	5,149,286	14,781,883	8,635,924	28,567,093
Assigned	1,027,875	-	211,621	1,239,496
Unassigned	16,325,257	-	-	16,325,257
Total Fund Balances	22,850,468	14,781,883	8,912,859	46,545,210
Total Liabilities and Fund Balances	\$ 53,951,321	\$ 14,911,015	\$ 10,619,297	\$ 79,481,633

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, 2016

Total Fund Balance - Governmental Funds		\$ 46,545,210
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:	\$ 443,281,249	
Accumulated depreciation is:	<u>(168,158,605)</u>	
Net Capital Assets		275,122,644
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.		1,308,804
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		10,838,109
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.		(926,273)
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 assets are:		100,478
The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but are recognized on the accrual basis over the expected remaining service life of members receiving pension benefits.		8,310,729
The difference between projected and actual pension plan investment earnings are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(8,685,225)
The differences between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		335,400
The changes of assumptions is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		(2,025,865)

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, 2016

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

\$ (125,667,823)

Long-term obligations at year-end consist of:

General obligation bonds	\$ 51,976,389	
Premium on issuance, net of amortization	4,076,075	
Bond anticipation note	9,380,000	
Certificates of participation	19,960,000	
Capital lease obligations	405,452	
Compensated absences - accumulated vacation	1,959,720	
PARS retirement	633,668	
Net OPEB obligation	7,588,226	
Total Long-Term Obligations		(95,979,530)
Total Net Position - Governmental Activities		\$ 109,276,658

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

LYNWOOD UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula	\$ 141,229,611	\$ -	\$ -	\$ 141,229,611
Federal sources	11,282,472	-	7,454,000	18,736,472
Other State sources	26,131,536	-	1,567,117	27,698,653
Other local sources	2,552,645	68,551	6,407,360	9,028,556
Total Revenues	181,196,264	68,551	15,428,477	196,693,292
EXPENDITURES				
Current				
Instruction	92,934,703	-	3,294,574	96,229,277
Instruction-related activities:				
Supervision of instruction	8,357,329	-	8,005	8,365,334
Instructional library, media and technology	983,237	-	-	983,237
School site administration	12,425,497	-	523,942	12,949,439
Pupil services:				
Home-to-school transportation	1,534,909	-	-	1,534,909
Food services	-	-	7,881,160	7,881,160
All other pupil services	9,235,263	-	-	9,235,263
Administration:				
Data processing	3,878,519	-	-	3,878,519
All other administration	9,270,042	-	488,711	9,758,753
Plant services	21,526,954	-	111,211	21,638,165
Facility acquisition and construction	1,529,708	2,545,905	19,458	4,095,071
Ancillary services	634,352	-	-	634,352
Community services	867,856	-	-	867,856
Other outgo	3,451,761	-	-	3,451,761
Debt service				
Principal	1,324,510	-	942,565	2,267,075
Interest and other	2,326,349	1,221,437	2,091,629	5,639,415
Total Expenditures	170,280,989	3,767,342	15,361,255	189,409,586
Excess (Deficiency) of Revenues Over Expenditures	10,915,275	(3,698,791)	67,222	7,283,706
Other Financing Sources (Uses)				
Transfers in	-	-	196,004	196,004
Other sources	19,295,365	10,221,437	-	29,516,802
Transfers out	(816,631)	-	-	(816,631)
Other uses - refunding debt	(17,603,804)	-	-	(17,603,804)
Net Financing Sources (Uses)	874,930	10,221,437	196,004	11,292,371
NET CHANGE IN FUND BALANCES	11,790,205	6,522,646	263,226	18,576,077
Fund Balances - Beginning	11,060,263	8,259,237	8,649,633	27,969,133
Fund Balances - Ending	\$ 22,850,468	\$ 14,781,883	\$ 8,912,859	\$ 46,545,210

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, 2016

Total Net Change in Fund Balances - Governmental Funds \$ 18,576,077

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 exceeded capital outlay in the period.

Depreciation expense	\$ (13,239,742)	
Capital outlays	<u>3,971,562</u>	
Net Expense Adjustment		(9,268,180)

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 less than amounts earned by \$1,058,935. Vacation used was less than amounts earned by \$85,515.

973,420

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.

(1,010,420)

In the Statement of Activities, Other Postemployment Benefits Obligations (OPEB) are measured by an actuarially determined Annual Required Contribution (ARC). 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, amounts contributed toward the OPEB obligation were less than the ARC by \$546,696.

(546,696)

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	9,610,000	
Sale of certificates of participation	16,325,000	
Equipment lease/ purchase agreement	<u>1,205,419</u>	
Combined Adjustment		(27,140,419)

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, 2016

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	\$ (2,272,998)	
Deferred charges on refunding	1,308,804	
Amortization of debt premium	318,470	
Combined Adjustment		\$ (645,724)

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	1,360,000	
Certificates of participation	16,840,000	
Equipment lease/ purchase agreement	799,967	
Combined Adjustment		18,999,967

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 \$11,349, and second, \$166,565 of additional accumulated interest was accreted on the Districts' "capital appreciation" general obligation bonds.

(155,216)

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 net revenue of the Internal Service Fund is reported with governmental activities.

(2,109,414)

Change in Net Position of Governmental Activities

\$ (2,326,605)

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

LYNWOOD UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2016

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 9,384,204
Receivables	28,832
Total Assets	<u>9,413,036</u>
LIABILITIES	
Current Liabilities	
Accounts payable	13,957
Due to other funds	7,601
Claims liability	794,000
Total Current Liabilities	<u>815,558</u>
Noncurrent Liabilities	
Long-term claims liability	8,497,000
Total Liabilities	<u>9,312,558</u>
NET POSITION	
Restricted	100,478
Total Net Position	<u>\$ 100,478</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, 2016

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges to other funds and miscellaneous revenues	<u>\$ 91,401</u>
OPERATING EXPENSES	
Payroll costs	118,714
Professional and contract services	2,776,250
Supplies and materials	<u>4,656</u>
Total Operating Expenses	<u>2,899,620</u>
Operating loss	<u>(2,808,219)</u>
NONOPERATING REVENUES	
Interest income	<u>78,178</u>
Loss Before Transfers	(2,730,041)
Transfers in	<u>620,627</u>
Change in Net Position	(2,109,414)
Total Net Position - Beginning	<u>2,209,892</u>
Total Net Position - Ending	<u><u>\$ 100,478</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, 2016

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 96,913
Cash payments to suppliers for goods and services	(2,863,934)
Cash payments for administrative expense	(118,714)
Net Cash Used in Operating Activities	<u>(2,885,735)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	<u>620,627</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>80,035</u>
Net Decrease in Cash and Cash Equivalents	(2,185,073)
Cash and Cash Equivalents - Beginning	11,569,277
Cash and Cash Equivalents - Ending	<u><u>\$ 9,384,204</u></u>
 RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	\$ (2,808,219)
Changes in assets and liabilities:	
Accounts payable	(83,028)
Due to other funds	5,512
NET CASH USED IN OPERATING ACTIVITIES	<u><u>\$ (2,885,735)</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, 2016

	Associated Student Bodies	Foundation Private-Purpose Trust Fund	Total Fiduciary Funds
ASSETS			
Deposits and investments	\$ 587,973	\$ 43,670	\$ 631,643
Receivables	-	117	117
Stores inventories	75,317	-	75,317
Total Assets	\$ 663,290	43,787	707,077
LIABILITIES			
Accounts payable	\$ 3,600	6,421	10,021
Due to student groups	659,690	-	659,690
Total Liabilities	\$ 663,290	6,421	669,711
NET POSITION			
Held in trust for scholarships		37,366	37,366
Total Net Position		\$ 37,366	\$ 37,366

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, 2016

	Foundation Private-Purpose Trust Fund
ADDITIONS	
District contributions	\$ 29,124
Interest	246
Total Additions	<u>29,370</u>
DEDUCTIONS	
Materials and supplies	2,454
Other expenditures	6,720
Total Deductions	<u>9,174</u>
Change in Net Position	20,196
Net Position - Beginning	17,170
Net Position - Ending	<u><u>\$ 37,366</u></u>

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

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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, the General Fund reflects an increase in assets, fund balance, revenues, and expenditures of \$1,199,035, \$1,027,875, \$3,988,224, and \$2,960,351, respectively.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

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 that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

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

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 Funds The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term obligations.

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

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

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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, 2016

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 45 or 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, 2016

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, 2016, 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

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, 2016

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.

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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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.

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 loss on the refunding of general obligation bonds and current year pension contributions.

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 the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

Pensions

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

Premiums

In the government-wide financial statements long-term obligations are reported as liabilities in the statement of net position. Debt premiums are amortized over the life of the bonds using the straight-line method.

Fund Balances - Governmental Funds

As of June 30, 2016, 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.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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.

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, 2016. 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 \$10,275,387 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.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Estimates

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

Budgetary Data

The budgetary process is prescribed by provisions of the California *Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1st of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

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

Change in Accounting Principles

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

The District has implemented the provisions of this Statement as of June 30, 2016.

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

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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

The provisions in this Statement effective as of June 30, 2016, include the provisions for assets accumulated for purposes of providing pensions through defined benefit plans and the amended provisions of Statements No. 67 and No. 68. The District has implemented these provisions as of June 30, 2016. The provisions in this Statement related to defined benefit pensions that are not within the scope of Statement No. 68 are effective for periods beginning after June 15, 2016.

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

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

The District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement No. 31, as amended.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The District has implemented the provisions of this Statement as of June 30, 2016.

New Accounting Pronouncements

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

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

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

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

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

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

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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

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

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Early implementation is encouraged.

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

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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

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

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

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

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

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Early implementation is encouraged.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 73,502,369
Fiduciary funds	631,643
Total Deposits and Investments	<u>\$ 74,134,012</u>

Deposits and investments as of June 30, 2016, consisted of the following:

Cash on hand and in banks	\$ 837,973
Cash in revolving	51,500
Investments	73,244,539
Total Deposits and Investments	<u>\$ 74,134,012</u>

Policies and Practices

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

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

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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

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	Fair Value	Weighted-Average Maturity in Days
Los Angeles County Investment Pool	\$ 73,330,112	608

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 Investment Pool is not required to be rated, nor has it been rated as of June 30, 2016.

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, 2016, the District's bank balance of \$894,627 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

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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, 2016:

Investment Type	Fair Value	Uncategorized
Los Angeles County Investment Pool	\$ 73,330,112	\$ 73,330,112

All assets have been valued using a market approach, with quoted market prices.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2016, 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 Fund
Federal Government						
Categorical aid	\$ 5,904,884	\$ -	\$ 1,875,535	\$ -	\$ 7,780,419	\$ -
State Government						
Categorical aid	177,858	-	447,169	-	625,027	-
Lottery	1,637,334	-	-	-	1,637,334	-
Local Government						
Interest	99,460	32,985	17,353	28,832	178,630	117
Other Local Sources	3,236,065	-	100,917	-	3,336,982	-
Total	<u>\$ 11,055,601</u>	<u>\$ 32,985</u>	<u>\$ 2,440,974</u>	<u>\$ 28,832</u>	<u>\$ 13,558,392</u>	<u>\$ 117</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 32,298,855	\$ -	\$ -	\$ 32,298,855
Construction in progress	2,342,791	687,072	-	3,029,863
Total Capital Assets Not Being Depreciated	34,641,646	687,072	-	35,328,718
Capital Assets Being Depreciated				
Land improvements	5,721,561	1,655,225	-	7,376,786
Buildings and improvements	386,001,442	871,014	-	386,872,456
Furniture and equipment	12,945,038	758,251	-	13,703,289
Total Capital Assets Being Depreciated	404,668,041	3,284,490	-	407,952,531
Total Capital Assets	439,309,687	3,971,562	-	443,281,249
Less Accumulated Depreciation				
Land improvements	2,792,293	281,427	-	3,073,720
Buildings and improvements	144,787,858	12,243,785	-	157,031,643
Furniture and equipment	7,338,712	714,530	-	8,053,242
Total Accumulated Depreciation	154,918,863	13,239,742	-	168,158,605
Governmental Activities Capital Assets, Net	<u>\$ 284,390,824</u>	<u>\$ (9,268,180)</u>	<u>\$ -</u>	<u>\$ 275,122,644</u>

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

Governmental Activities	
Instruction	\$ 10,936,008
School site administration	357,474
Food services	622,268
All other administration	781,144
Plant services	542,848
Total Depreciation Expenses Governmental Activities	<u>\$ 13,239,742</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2016, between major and non-major governmental funds and internal service funds are as follows:

Due To	Due From				Total
	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	
General Fund	\$ -	\$ 7,447	\$ 554,696	\$ 7,601	\$ 569,744
Building Fund	7,398	-	-	-	7,398
Non-Major Governmental Funds	7,381	-	-	-	7,381
Total	<u>\$ 14,779</u>	<u>\$ 7,447</u>	<u>\$ 554,696</u>	<u>\$ 7,601</u>	<u>\$ 584,523</u>

The balance of \$7,447 is due to the General Fund from the Building Fund for payroll expenses.

The balance of \$534,286 is due to the General Fund from the Non-Major Governmental Child Development Fund for payroll expenses.

The balance of \$20,410 is due to the General Fund from the Non-Major Governmental Cafeteria Fund for payroll expenses.

The balance of \$7,601 is due to the General Fund from the Internal Service Fund for workers' compensation vouchers.

The balance of \$7,398 is due to the Building Fund from the General Fund for payroll expenses.

The balance of \$7,381 is due to the Non-Major Governmental Cafeteria Fund from the General Fund for payroll expenses.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Operating Transfers

Interfund transfers for the year ended June 30, 2016, consisted of the following:

Transfer To	Transfer From General Fund
Non-Major Governmental Funds	\$ 196,004
Internal Service Fund	620,627
Total	<u>\$ 816,631</u>

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

\$ 196,004

The General Fund transferred to the Internal Service Fund to ensure funds available to support transition of worker compensation administrators, and related anticipation of an increase in claim settlements.

Total

620,627
\$ 816,631

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, 2016, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activity	Fiduciary Fund
Vendor payables	\$ 9,735,293	\$ -	\$ 272,651	\$ 44	\$ 10,007,988	\$ 6,421
State principal apportionment	1,092,493	-	-	-	1,092,493	-
Salaries and benefits	14,657,022	6,798	658,876	13,913	15,336,609	-
Construction	-	114,887	-	-	114,887	-
Total	<u>\$ 25,484,808</u>	<u>\$ 121,685</u>	<u>\$ 931,527</u>	<u>\$ 13,957</u>	<u>\$ 26,551,977</u>	<u>\$ 6,421</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2016, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activity
Federal financial assistance	\$ 235,686	\$ 220,215	\$ 455,901
State categorical aid	5,365,579	-	5,365,579
Total	<u>\$ 5,601,265</u>	<u>\$ 220,215</u>	<u>\$ 5,821,480</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, 2015	Additions	Deductions	Balance June 30, 2016	Due in One Year
General obligation bonds	\$ 43,559,824	\$ 9,776,565	\$ 1,360,000	\$ 51,976,389	\$ 1,160,000
Premium on bonds	2,121,547	2,272,998	318,470	4,076,075	-
Bond anticipation note	9,380,000	-	-	9,380,000	-
Certificates of participation	20,475,000	16,325,000	16,840,000	19,960,000	550,000
Compensated absences	1,874,205	85,515	-	1,959,720	-
Equipment lease/ purchase agreement	-	1,205,419	799,967	405,452	405,452
PARS retirement	1,692,603	-	1,058,935	633,668	495,384
Claims Liabilities	8,497,000	-	-	8,497,000	-
OPEB obligation, net	7,041,530	1,079,838	533,142	7,588,226	-
	<u>\$ 94,641,709</u>	<u>\$ 30,745,335</u>	<u>\$ 20,910,514</u>	<u>\$ 104,476,530</u>	<u>\$ 2,610,836</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.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

- Payments for Claims Liabilities are made by 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 by the fund for which the employee worked.
- Payments for the capital lease are made by the General Fund.

Bonded Debt

The general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding				Bonds Outstanding	
				July 1, 2015	Issued	Accreted	Redeemed	June 30, 2016	
5/1/2003	5/1/2028	5.52 - 6.90%	\$ 19,999,801	\$ 3,314,824	\$ -	\$ 166,565	\$ 750,000	\$ 2,731,389	
2/9/2012	8/1/2027	2.00 - 5.00%	14,700,000	14,590,000	-	-	35,000	14,555,000	
2/12/2013	8/1/2038	2.00 - 5.00%	16,500,000	15,000,000	-	-	575,000	14,425,000	
7/15/14	8/1/2039	1.25 - 4.28%	10,655,000	10,655,000	-	-	-	10,655,000	
4/19/16	8/1/2041	2.00-4.00%	9,610,000	-	9,610,000	-	-	9,610,000	
			<u>\$ 71,464,801</u>	<u>\$ 43,559,824</u>	<u>\$ 9,610,000</u>	<u>\$ 166,565</u>	<u>\$ 1,360,000</u>	<u>\$ 51,976,389</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, 2016, the principal balance outstanding was \$2,731,389.

The bonds mature through 2028 as follows:

Fiscal Year	Principal		Total
	Including Accreted Interest to Date	Accreted Interest	
2017	\$ 795,664	\$ 4,336	\$ 800,000
2018	791,183	58,817	850,000
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2028	1,144,542	1,055,458	2,200,000
Total	<u>\$ 2,731,389</u>	<u>\$ 1,118,611</u>	<u>\$ 3,850,000</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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, 2016, the principal balance outstanding was \$14,555,000.

The bonds mature through 2028 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	\$ 35,000	\$ 622,813	\$ 657,813
2018	35,000	621,763	656,763
2019	945,000	610,913	1,555,913
2020	1,025,000	589,931	1,614,931
2021	1,125,000	550,275	1,675,275
2022-2026	7,395,000	1,941,250	9,336,250
2027-2028	3,995,000	232,613	4,227,613
Total	<u>\$ 14,555,000</u>	<u>\$ 5,169,558</u>	<u>\$ 19,724,558</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, 2016, the principal balance outstanding was \$14,425,000.

The bonds mature through 2039 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	\$ 275,000	\$ 640,175	\$ 915,175
2018	295,000	631,925	926,925
2019	320,000	623,075	943,075
2020	340,000	613,475	953,475
2021	360,000	603,275	963,275
2022-2026	2,250,000	2,786,275	5,036,275
2027-2031	3,080,000	2,292,600	5,372,600
2032-2036	4,230,000	1,480,750	5,710,750
2037-2039	3,275,000	334,250	3,609,250
Total	<u>\$ 14,425,000</u>	<u>\$ 10,005,800</u>	<u>\$ 24,430,800</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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, 2016, the principal balance outstanding was \$10,655,000.

The bonds mature through 2040 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	\$ 50,000	\$ 404,931	\$ 454,931
2018	120,000	403,931	523,931
2019	160,000	401,531	561,531
2020	160,000	399,531	559,531
2021	-	397,131	397,131
2022-2026	550,000	1,969,656	2,519,656
2027-2031	1,655,000	1,801,513	3,456,513
2032-2036	3,570,000	1,345,050	4,915,050
2037-2040	4,390,000	532,950	4,922,950
Total	<u>\$ 10,655,000</u>	<u>\$ 7,656,224</u>	<u>\$ 18,311,224</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, 2016, the principal balance outstanding was \$9,610,000.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

The bonds mature through 2042 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	\$ -	\$ -	\$ -
2018	140,000	438,814	578,814
2019	145,000	351,400	496,400
2020	-	348,500	348,500
2021	50,000	348,500	398,500
2022-2026	400,000	1,721,300	2,121,300
2027-2031	925,000	1,644,500	2,569,500
2032-2036	1,030,000	1,471,950	2,501,950
2037-2040	4,530,000	1,168,900	5,698,900
2041-2042	2,390,000	95,600	2,485,600
Total	<u>\$ 9,610,000</u>	<u>\$ 7,589,464</u>	<u>\$ 17,199,464</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 will be used for the purpose of payment to outstanding 2013 General Obligation Bond Anticipation Notes. The remaining bonds mature on August 1, 2017, with a yield of 1.25 percent. As of June 30, 2016, the remaining balance was \$8,680,000.

On July 15, 2014, the District issued \$700,000 in 2014 General Obligation Bonds Anticipation Note Series B. Proceeds from the bonds will be used for the purpose of outstanding 2013 General Obligation Bond Anticipation Notes. The remaining bonds mature on August 1, 2017, with a yield of 1.80 percent. As of June 30, 2016, the remaining balance was \$700,000.

Certificates of Participation Summary

The outstanding certificates of participation are as follows:

Issue Date	Maturity Date	Original Issue	COP		COP	
			Outstanding July 1, 2015	Issued	Redeemed	Outstanding June 30, 2016
07/10/07	2018	\$ 19,430,000	\$ 16,795,000	\$ -	\$ 15,860,000	\$ 935,000
07/10/07	2038	4,260,000	3,680,000	-	980,000	2,700,000
02/02/16	2038	16,325,000	-	16,325,000	-	16,325,000
		<u>\$ 40,015,000</u>	<u>\$ 20,475,000</u>	<u>\$ 16,325,000</u>	<u>\$ 16,840,000</u>	<u>\$ 19,960,000</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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, 2016, the principal balance outstanding was \$935,000.

The certificates mature through 2018 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	\$ 450,000	\$ 738,484	\$ 1,188,484
2018	485,000	719,199	1,204,199
Total	<u>\$ 935,000</u>	<u>\$ 1,457,683</u>	<u>\$ 2,392,683</u>

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, 2016, the principal balance outstanding was \$2,700,000.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

The certificates mature through 2038 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2017	\$ 100,000	\$ 175,338	\$ 275,338
2018	105,000	170,981	275,981
2019	-	151,750	151,750
2020	-	151,750	151,750
2021	-	151,750	151,750
2022-2026	670,000	678,000	1,348,000
2027-2031	310,000	438,500	748,500
2032-2036	1,015,000	259,375	1,274,375
2037-2038	500,000	25,250	525,250
Total	<u>\$ 2,700,000</u>	<u>\$ 2,202,694</u>	<u>\$ 4,902,694</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, 2016, the principle balance outstanding was \$16,325,000 and deferred charge on refunding was \$1,308,804.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

The certificates mature through 2038 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2017	\$ 275,000	\$ 675,731	\$ 950,731
2018	-	672,981	672,981
2019	520,000	662,581	1,182,581
2020	525,000	641,681	1,166,681
2021	540,000	617,681	1,157,681
2022-2026	3,145,000	2,643,281	5,788,281
2027-2031	4,020,000	1,751,656	5,771,656
2032-2036	5,025,000	777,109	5,802,109
2037-2038	2,275,000	74,181	2,349,181
Total	<u>\$ 16,325,000</u>	<u>\$ 8,516,882</u>	<u>\$ 24,841,882</u>

Compensated Absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2016, amounted to \$1,959,720.

Equipment Lease/Purchase Agreement

On September 10, 2014, the District issued entered into an equipment lease/purchase agreement with Ameresco, Inc. in the amount of \$1,600,000. Proceeds from the loan will be used to lease and acquire certain equipment for the District. The loan mature on September 10, 2016, and yield an interest rate of .91 percent. At June 30, 2016, the principal balance outstanding was \$405,452.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2017	<u>\$ 405,452</u>	<u>\$ 3,690</u>	<u>\$ 409,142</u>

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, 2016. Currently, there are 96 employees participating in this plan and the District's obligation to those retirees as of June 30, 2016, is \$633,668.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Future payments are as follows:

Year Ending June 30,	Amount
2017	\$ 495,384
2018	138,284
Total	<u>\$ 633,668</u>

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 \$8,497,000.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2016, was \$1,174,783, and contributions made by the District during the year were \$533,142. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$352,077 and \$(447,022), respectively, which resulted in an increase to the net OPEB obligation of \$546,696. As of June 30, 2016, the net OPEB obligation was \$7,588,226. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds
Nonspendable			
Revolving cash	\$ 50,750	\$ -	\$ 750
Stores inventories	217,480	-	64,564
Prepaid expenditures	79,820	-	-
Total Nonspendable	348,050	-	65,314
Restricted			
Legally restricted programs	5,149,286	-	2,583,550
Capital projects	-	14,781,883	3,012,393
Debt services	-	-	3,039,981
Total Restricted	5,149,286	14,781,883	8,635,924
Assigned			
Other assignments	1,027,875	-	211,621
Unassigned			
Economic uncertainties	4,842,712	-	-
Remaining unassigned	11,482,545	-	-
Total Unassigned	16,325,257	-	-
Total	\$ 22,850,468	\$ 14,781,883	\$ 8,912,859

	Total Governmental Funds	Internal Service Fund	Fiduciary Funds
Nonspendable			
Revolving cash	\$ 51,500	\$ -	\$ -
Stores inventories	282,044	-	-
Prepaid expenditures	79,820	-	-
Total Nonspendable	413,364	-	-
Restricted			
Legally restricted programs	7,732,836	100,478	37,366
Capital projects	17,794,276	-	-
Debt services	3,039,981	-	-
Total Restricted	28,567,093	100,478	37,366
Assigned			
Other assignments	1,239,496	-	-
Unassigned			
Economic uncertainties	4,842,712	-	-
Remaining unassigned	11,482,545	-	-
Total Unassigned	16,325,257	-	-
Total	\$ 46,545,210	\$ 100,478	\$ 37,366

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefit Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Lynwood Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 103 retirees and beneficiaries currently receiving benefits and approximately 1,658 active Plan members.

Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the Lynwood Teachers Association (LTA), the local California Service Employees Association (CSEA), the local Service Employees International Union (SEIU), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2015-2016, the District contributed \$533,142 to the Plan all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 1,174,783
Interest on net OPEB obligation	352,077
Adjustment to annual required contribution	(447,022)
Annual OPEB cost (expense)	<u>1,079,838</u>
Contributions made	<u>(533,142)</u>
Increase in net OPEB obligation	546,696
Net OPEB obligation, beginning of year	<u>7,041,530</u>
Net OPEB obligation, end of year	<u><u>\$ 7,588,226</u></u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
2014	\$ 1,189,394	\$ 852,427	71.67%	\$ 6,637,105
2015	1,175,211	770,786	65.59%	7,041,530
2016	1,079,838	533,142	49.37%	7,588,226

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2015	\$ -	\$ 10,085,769	\$ 10,085,769	0%	\$ 91,688,809	11%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

In the July 1, 2012, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2016, was 23 years.

NOTE 12 - 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.

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, 2014 to June 30, 2016:

	Workers' Compensation
Liability Balance, July 1, 2014	\$ 10,067,000
Claims provision	2,793,183
Claims paid	(3,569,183)
Liability Balance, June 30, 2015	9,291,000
Claims provision	2,165,722
Claims paid	(2,165,722)
Liability Balance, June 30, 2016	<u>\$ 9,291,000</u>
Amount available to pay claims	<u>\$ 9,413,036</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2016, 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	\$ 92,696,235	\$ 22,409,443	\$ 16,408,820	\$ 8,765,603
CalPERS	32,971,588	12,356,443	9,583,918	3,082,928
Total	<u>\$ 125,667,823</u>	<u>\$ 34,765,886</u>	<u>\$ 25,992,738</u>	<u>\$ 11,848,531</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014, 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.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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

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

The STRP provisions and benefits in effect at June 30, 2016, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required state contribution rate	7.12589%	7.12589%

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, 2016, are presented above and the District's total contributions were \$7,510,278.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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

At June 30, 2016, 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	\$	92,696,235
State's proportionate share of the net pension liability associated with the District		49,026,090
Total	\$	<u>141,722,325</u>

The net pension liability was measured as of June 30, 2015. 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, 2015 and June 30, 2014, respectively was 0.1377 percent and 0.1255 percent, resulting in a net increase in the proportionate share of 0.0122 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$8,765,603. In addition, the District recognized pension expense and revenue of \$3,797,620 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,510,278	\$ -
Net change in proportionate share of net pension liability	7,595,570	-
Difference between projected and actual earnings on pension plan investments	7,303,595	14,859,844
Differences between expected and actual experience in the measurement of the total pension liability	-	1,548,976
Total	<u>\$ 22,409,443</u>	<u>\$ 16,408,820</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ (3,127,383)
2018	(3,127,383)
2019	(3,127,383)
2020	1,825,900
Total	<u>\$ (7,556,249)</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability 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 (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the 2014-2015 measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ 1,007,766
2018	1,007,766
2019	1,007,766
2020	1,007,766
2021	1,007,766
Thereafter	1,007,764
Total	<u>\$ 6,046,594</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

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

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

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.60%)	\$ 139,964,100
Current discount rate (7.60%)	\$ 92,696,235
1% increase (8.60%)	\$ 53,412,825

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2014. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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, 2016, 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	7.000%	6.000%
Required employer contribution rate	11.847%	11.847%

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, 2016, are presented above and the total District contributions were \$3,327,831.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$32,971,588. The net pension liability was measured as of June 30, 2015. 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, 2015 and June 30, 2014, respectively was 0.2237 percent and 0.2084 percent, resulting in a net increase in the proportionate share of 0.0153 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$3,082,928. At June 30, 2016, 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	\$ 3,327,831	\$ -
Net change in proportionate share of net pension liability	1,729,004	1,013,845
Difference between projected and actual earnings on pension plan investments	5,415,232	6,544,208
Differences between expected and actual experience in the measurement of the total pension liability	1,884,376	-
Changes of assumptions	-	2,025,865
Total	<u>\$ 12,356,443</u>	<u>\$ 9,583,918</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ (827,594)
2018	(827,594)
2019	(827,594)
2020	1,353,806
Total	<u>\$ (1,128,976)</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

The deferred outflows/(inflows) 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 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ 40,496
2018	40,496
2019	492,678
Total	<u>\$ 573,670</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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

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

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	2%	4.50%
Liquidity	2%	-0.55%

Discount Rate

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

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

Discount rate	Net Pension Liability
1% decrease (6.65%)	\$ 53,664,006
Current discount rate (7.65%)	\$ 32,971,588
1% increase (8.65%)	\$ 15,764,459

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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 \$4,091,216 (7.12589 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

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, 2016.

NOTE 15 - PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of the Alliance of Schools for Cooperative Insurance Programs (ASCIP), 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, 2016, the District made payments of \$12,959, 849,737 and \$62,274 to ASCIP, SCR and SELF, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

LYNWOOD UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variances -
	Original	Final	(GAAP Basis)	Positive (Negative) Final to Actual
REVENUES				
Local Control Funding Formula	\$ 141,293,516	\$ 141,443,767	\$ 141,229,611	\$ (214,156)
Federal sources	10,470,210	11,434,555	11,282,472	(152,083)
Other State sources	17,812,787	24,978,448	26,131,536	1,153,088
Other local sources	1,472,500	1,941,113	2,552,645	611,532
Total Revenues ¹	171,049,013	179,797,883	181,196,264	1,398,381
EXPENDITURES				
Current				
Certificated salaries	64,447,118	69,139,777	69,578,245	(438,468)
Classified salaries	25,311,405	27,270,217	28,177,105	(906,888)
Employee benefits	28,114,580	30,621,730	34,025,973	(3,404,243)
Books and supplies	6,392,836	8,822,332	7,759,443	1,062,889
Services and operating expenditures	23,615,611	22,334,119	19,760,901	2,573,218
Capital outlay	3,120,192	3,757,414	1,290,947	2,466,467
Other outgo	5,544,828	5,036,876	6,037,516	(1,000,640)
Debt service				
Principal	-	-	1,324,510	(1,324,510)
Interest	-	-	2,326,349	(2,326,349)
Total Expenditures ¹	156,546,570	166,982,465	170,280,989	(3,298,524)
Excess (Deficiency) of Revenues				
Over Expenditures	14,502,443	12,815,418	10,915,275	(1,900,143)
Other Financing Uses				
Other sources	-	-	19,295,365	19,295,365
Transfers out	(2,559,517)	-	(816,631)	(816,631)
Other uses	-	-	(17,603,804)	(17,603,804)
Net Financing Sources (Uses)	(2,559,517)	-	874,930	874,930
NET CHANGE IN FUND BALANCES	11,942,926	12,815,418	11,790,205	(1,025,213)
Fund Balance - Beginning	11,060,263	11,060,263	11,060,263	-
Fund Balance - Ending	\$ 23,003,189	\$ 23,875,681	\$ 22,850,468	\$ (1,025,213)

¹ On behalf payments of \$4,091,216 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 OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2010	\$ -	\$ 20,701,398	\$ 20,701,398	0%	\$ 102,631,873	20%
July 1, 2012	-	10,893,076	10,893,076	0%	97,500,280	11%
July 1, 2015	-	10,085,769	10,085,769	0%	91,688,809	11%

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, 2016

	2016	2015
CalSTRS		
District's proportion of the net pension liability (asset)	0.1377%	0.1255%
District's proportionate share of the net pension liability (asset)	\$ 92,696,235	\$ 73,349,471
State's proportionate share of the net pension liability (asset) associated with the District	49,026,090	44,291,578
Total	\$ 141,722,325	\$ 117,641,049
District's covered - employee payroll	\$ 67,244,955	\$ 55,906,461
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	137.85%	131.20%
Plan fiduciary net position as a percentage of the total pension liability	74%	77%
CalPERS		
District's proportion of the net pension liability (asset)	0.2237%	0.2084%
District's proportionate share of the net pension liability (asset)	\$ 32,971,588	\$ 23,663,277
District's covered - employee payroll	\$ 24,392,897	\$ 21,885,070
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	135.17%	108.13%
Plan fiduciary net position as a percentage of the total pension liability	79%	83%

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, 2016

	2016	2015
CalSTRS		
Contractually required contribution	\$ 7,510,278	\$ 5,971,352
Contributions in relation to the contractually required contribution	7,510,278	5,971,352
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 69,993,271</u>	<u>\$ 67,244,955</u>
Contributions as a percentage of covered - employee payroll	<u>10.73%</u>	<u>8.88%</u>
CalPERS		
Contractually required contribution	\$ 3,327,831	\$ 2,871,044
Contributions in relation to the contractually required contribution	3,327,831	2,871,044
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 28,082,962</u>	<u>\$ 24,392,897</u>
Contributions as a percentage of covered - employee payroll	<u>11.85%</u>	<u>11.77%</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

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

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

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

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

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.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation for either CalSTRS and CalPERS.

Changes in Assumptions

The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 percent since the previous valuation.

SUPPLEMENTARY INFORMATION

LYNWOOD UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

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):			
Elementary and Secondary Education Act as amended by the No Child Left Behind Act (NCLB)			
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14329	\$ 4,448,477
Title I, School Improvement Grant (SIG) for QEIA Schools	84.377	14971	1,558,046
NCLB - Title I, Part C, Migrant Education - Regular	84.011	14326	89,395
NCLB - Title I, Migrant Education Summer Program	84.011	10005	26,829
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	977,986
Title III - Limited English Proficient (LEP) Student Program	84.365	14346	432,035
Adult Education - Basic Grants to States Cluster:			
Adult Basic Education - Adult Basic Education and ESL	84.002A	14508	161,560
Adult Basic Education - Adult Secondary	84.002	13978	104,367
Adult Basic Education - English Literacy and Civics Education	84.002A	14109	86,599
Total Adult Education - Basic Grants to States Cluster			352,526
Carl D. Perkins Vocational and Technical Education Act of 1998Technology Secondary II C, Section 131			
Advanced Placement Program	84.330C	[1]	95,898
U.S. DEPARTMENT OF EDUCATION			
Passed through Los Angeles County Special Education Local Plan Area:			
Individuals with Disabilities Act (IDEA)			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	2,288,259
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	68,378
Preschool Local Entitlement, Part B, Section 611 (Age 3-4-5)	84.027A	13682	192,348
Preschool Staff Development, Part B, Section 619	84.173A	13431	167,623
Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	550
Total Special Education (IDEA) Cluster			2,717,158
Total U.S. Department of Education			10,865,713

[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, 2016

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:			
School Basic Breakfast	10.553	13525	\$ 20,245
Especially Needy Breakfast	10.553	13526	790,270
National School Lunch Program	10.555	13524	5,534,757
Meal Supplement	10.555	13396	186,432
Food Distribution	10.555	13524	655,562
Total Child Nutrition Cluster			<u>7,187,266</u>
CCFP Claims - Centers and Family Day Care	10.558	13393	<u>103,457</u>
Total U.S. Department of Agriculture			<u>7,290,723</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medi-Cal Billing Option	93.778	10013	193,882
Medical Administrative Activities Program	93.778	10060	222,877
Total Medicaid Cluster			<u>416,759</u>
Passed through Los Angeles County Office of Education (LACOE):			
Child Development: Federal Child Care, Center-based	93.596	13609	<u>163,277</u>
Total U.S. Department of Health and Human Services			<u>580,036</u>
Total Federal Programs			<u>\$ 18,736,472</u>

See accompanying note to supplementary information.

LYNWOOD UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2016

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>
Alma Delia Renteria	President	November 2017
Alfonso Morales, Esq.	Vice President	November 2017
Gary Hardie Jr.	Clerk	November 2019
Maria G. Lopez	Member	November 2019
Briseida Gonzalez, MSW	Member	November 2019

ADMINISTRATION

Paul Gothold	Superintendent
Marlene Dunn	Chief Business Official

See accompanying note to supplementary information.

LYNWOOD UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2016

	Final Report	
	Revised Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	4,390.50	4,390.14
Fourth through sixth	3,386.65	3,385.09
Seventh and eighth	1,991.80	1,997.08
Ninth through twelfth	4,218.17	4,215.32
Total Regular ADA	13,987.12	13,987.63
Extended Year Special Education		
Transitional kindergarten through third	0.03	0.03
Fourth through sixth	0.63	0.63
Seventh and eighth	0.21	0.21
Ninth through twelfth	1.07	5.57
Total Extended Year Special Education	1.94	6.44
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.21	1.17
Fourth through sixth	4.47	6.45
Ninth through twelfth	5.57	6.85
Total Special Education, Nonpublic, Nonsectarian Schools	11.25	14.47
Total ADA	14,000.31	14,008.54

See accompanying note to supplementary information.

LYNWOOD UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2016

Grade Level	1986-87	2015-16	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	55,125	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		54,480	180	N/A	Complied
Grade 2		54,480	180	N/A	Complied
Grade 3		54,480	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,630	180	N/A	Complied
Grade 5		54,630	180	N/A	Complied
Grade 6		54,630	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		59,074	180	N/A	Complied
Grade 8		59,074	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		64,962	180	N/A	Complied
Grade 10		64,962	180	N/A	Complied
Grade 11		64,962	180	N/A	Complied
Grade 12		64,962	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, 2016

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

	General Fund	Cafeteria Fund	Capital Facilities Fund
FUND BALANCE			
Balance, June 30, 2016, Unaudited Actuals	\$ 22,041,512	\$ 2,942,123	\$ 945,824
Decrease in:			
Cash with fiscal agent	(392,722)	-	(107,516)
Current loan	1,600,000	-	-
Increase in:			
Accounts receivable	1,851,447	-	-
Due from other fund	519,239	-	-
Accounts payable	(2,769,008)	(87,413)	-
Balance, June 30, 2016, Audited Financial Statements	<u>\$ 22,850,468</u>	<u>\$ 2,854,710</u>	<u>\$ 838,308</u>

See accompanying note to supplementary information.

LYNWOOD UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

	(Budget) 2017	2016	2015	2014
GENERAL FUND ⁴				
Revenues	\$ 177,731,469	\$ 178,810,095	\$ 154,329,629	\$ 133,172,848
Other sources and transfers in	-	19,295,365	-	262
Total Revenues and Other Sources	177,731,469	198,105,460	154,329,629	133,173,110
Expenditures	171,766,470	167,320,638	154,267,470	130,080,763
Other uses and transfers out	2,204,995	20,022,490	2,377,986	1,629,101
Total Expenditures and Other Uses	173,971,465	187,343,128	156,645,456	131,709,864
INCREASE (DECREASE) IN FUND BALANCE	\$ 3,760,004	\$ 10,762,332	\$ (2,315,827)	\$ 1,463,246
ENDING FUND BALANCE	\$ 25,582,595	\$ 21,822,591	\$ 11,060,259	\$ 13,376,086
AVAILABLE RESERVES ²	\$ 7,082,737	\$ 16,325,257	\$ 6,308,842	\$ 8,982,893
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	4.07%	8.91%	4.11%	7.00%
LONG-TERM OBLIGATIONS	N/A	\$ 104,476,530	\$ 95,435,709	\$ 90,179,605
K-12 AVERAGE DAILY ATTENDANCE AT P-2	14,198	14,000	14,166	14,200

The General Fund balance has increased by \$8,446,505 over the past two years. The fiscal year 2016-2017 budget projects an increase of \$3,760,004 (17.23 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 two of the past three years and anticipates incurring an operating surplus during the 2016-2017 fiscal year. Total long-term obligations have increased by \$14,296,925 over the past two years.

Average daily attendance has decreased by 200 over the past two years. Additional growth of 198 ADA is anticipated during fiscal year 2016-2017.

¹ Budget 2017 is included for analytical purposes only and has not been subjected to audit.

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

³ On behalf payments of \$4,091,216, \$3,219,306, and \$3,381,147, have been excluded from the calculation of available reserves the fiscal year ending June 30, 2016, 2015, and 2014, respectively.

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

See accompanying note to supplementary information.

LYNWOOD UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET JUNE 30, 2016

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	\$ 466,412	\$ 1,480,490	\$ 836,776
Receivables	384,583	2,046,621	2,621
Due from other funds	-	7,381	-
Stores inventories	-	64,564	-
Total Assets	\$ 850,995	\$ 3,599,056	\$ 839,397
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 308,928	\$ 511,270	\$ 1,089
Due to other funds	534,286	20,410	-
Due to other governments	232	-	-
Unearned revenue	7,549	212,666	-
Total Liabilities	850,995	744,346	1,089
Fund Balances:			
Nonspendable	-	65,314	-
Restricted	-	2,577,775	838,308
Assigned	-	211,621	-
Total Fund Balances	-	2,854,710	838,308
Total Liabilities and Fund Balances	\$ 850,995	\$ 3,599,056	\$ 839,397

See accompanying note to supplementary information.

County School Facilities Fund	Bond Interest and Redemption Fund	Tax Override Fund	Total Non-Major Governmental Funds
\$ 2,276,962	\$ 3,039,981	\$ 5,757	\$ 8,106,378
7,131	-	18	2,440,974
-	-	-	7,381
-	-	-	64,564
<u>\$ 2,284,093</u>	<u>\$ 3,039,981</u>	<u>\$ 5,775</u>	<u>\$ 10,619,297</u>
\$ 110,008	\$ -	\$ -	\$ 931,295
-	-	-	554,696
-	-	-	232
-	-	-	220,215
<u>110,008</u>	<u>-</u>	<u>-</u>	<u>1,706,438</u>
-	-	-	65,314
2,174,085	3,039,981	5,775	8,635,924
-	-	-	211,621
<u>2,174,085</u>	<u>3,039,981</u>	<u>5,775</u>	<u>8,912,859</u>
<u>\$ 2,284,093</u>	<u>\$ 3,039,981</u>	<u>\$ 5,775</u>	<u>\$ 10,619,297</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, 2016

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund
REVENUES			
Federal sources	\$ 163,277	\$ 7,290,723	\$ -
Other State sources	1,072,094	495,023	-
Other local sources	2,404,634	253,355	22,790
Total Revenues	3,640,005	8,039,101	22,790
EXPENDITURES			
Current			
Instruction	3,294,574	-	-
Instruction-related activities:			
Supervision of instruction	8,005	-	-
School site administration	523,942	-	-
Pupil services:			
Food services	-	7,881,160	-
Administration:			
All other administration	122,605	366,106	-
Plant services	94,895	-	16,316
Facility acquisition and construction	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	4,044,021	8,247,266	16,316
Excess (Deficiency) of Revenues Over Expenditures	(404,016)	(208,165)	6,474
Other Financing Uses			
Transfers in	196,004	-	-
NET CHANGE IN FUND BALANCES	(208,012)	(208,165)	6,474
Fund Balances - Beginning	208,012	3,062,875	831,834
Fund Balances - Ending	\$ -	\$ 2,854,710	\$ 838,308

See accompanying note to supplementary information.

County School Facilities Fund	Bond Interest and Redemption Fund	Tax Override Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 7,454,000
-	-	-	1,567,117
17,860	3,708,676	45	6,407,360
17,860	3,708,676	45	15,428,477
-	-	-	3,294,574
-	-	-	8,005
-	-	-	523,942
-	-	-	7,881,160
-	-	-	488,711
-	-	-	111,211
19,458	-	-	19,458
-	942,565	-	942,565
-	2,091,629	-	2,091,629
19,458	3,034,194	-	15,361,255
(1,598)	674,482	45	67,222
-	-	-	196,004
(1,598)	674,482	45	263,226
2,175,683	2,365,499	5,730	8,649,633
\$ 2,174,085	\$ 3,039,981	\$ 5,775	\$ 8,912,859

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

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.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2016

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



**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, 2016, and the related notes to the financial statements, which collectively comprise Lynwood Unified School District's basic financial statements, and have issued our report thereon dated December 28, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. 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 2016-001.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Lynwood Unified School District in a separate letter dated December 28, 2016.

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.

Varrinck, Tien, Day & Co., LLP
Rancho Cucamonga, California
December 28, 2016



**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 compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lynwood Unified School District's (the District) major Federal programs for the year ended June 30, 2016. Lynwood Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Lynwood Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Vannink, Tein, Day & Co., LLP

Rancho Cucamonga, California
December 28, 2016



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 compliance with the types of compliance requirements as identified in the *2015-2016 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 Lynwood Unified School District's State government programs as noted below for the year ended June 30, 2016.

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 Lynwood Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-2016 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 Lynwood Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Lynwood Unified School District's compliance with those requirements.

Unmodified Opinion on Each of the Programs

In our opinion, Lynwood Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2016.

Other Matters

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

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

Vannink, Tein, Day & Co., LLP

Rancho Cucamonga, California
December 28, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LYNWOOD UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2016

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>84.010</u>	<u>Title I, Part A - Basic Grants Low Income and Neglected</u>
<u>84.367</u>	<u>Title II, Part A - Improving Teacher Quality Local Grants</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 programs:	<u>Unmodified</u>
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LYNWOOD UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

The following findings represent significant deficiencies, and/or 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>
30000	Internal Control

2016-001 30000

Criteria or Specific Requirements

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.
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".

LYNWOOD UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

8. It was determined that an employee that have 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.

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 inconsistence 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.

LYNWOOD UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

None reported.

LYNWOOD UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

None reported.

LYNWOOD UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

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

2015-001 30000

Criteria or Specific Requirements

Payroll and Personnel

Condition

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

LYNWOOD UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

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

Partially implemented; see current year finding 2016-001.



Governing Board
Lynwood Unified School District
Lynwood, California

In planning and performing our audit of the financial statements of Lynwood Unified School District, for the year ended June 30, 2016, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 28, 2016 on the government-wide financial statements of the District.

Vista High School – Inventory Account

Observations

In reviewing the financial statements for the student body accounts it was noted that there was an inventory balance which was offset by accounts with negative balances. Per inquiry with client, the ASB does not carry any inventory and was set up as an error.

Recommendation

The District should provide assistance to correct the error noted and ensure that the inventory balance is reported reasonably accurate.

Accounts Payable Reconciliation

Observation

During our review of activities posted in the District's various holding accounts connected to the warrant pass-through fund, we noted debit balances. Debit balances shown in the accounts identified above suggest that the District has not been reconciling between District activities and employee voluntary deduction activities.

Recommendations

The District should revisit its procedures related to the reconciliation of various holding accounts connected to the warrant pass-through fund. The District should ensure that multiple personnel are trained to properly reconcile these accounts and an independent review should be performed to ensure the accuracy of the reconciliation. Lastly, the District should ensure that reconciliations are performed on a regular basis to avoid a compounding effect on these holding accounts and amounts held in the warrant pass-through fund.

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

Vannink, Tim, Day & Co., LLP

Rancho Cucamonga, California
December 28, 2016