



**LYNWOOD UNIFIED  
SCHOOL DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2015**

# LYNWOOD UNIFIED SCHOOL DISTRICT

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JUNE 30, 2015

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Lynwood Unified School District  
Lynwood, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lynwood Unified School District (the District) as of and for the year ended June 30, 2015, 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 *2014-2015 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter - Change in Accounting Principles***

As discussed in Notes 1 and 16 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 13 and budgetary comparison, and other postemployment benefit, net pension liability, and District contribution information on pages 72 through 75, respectively, 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 the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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 15, 2015, 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, Tien, Day & Co., LLP*

Rancho Cucamonga, California  
December 15, 2015



## LYNWOOD UNIFIED SCHOOL DISTRICT BUSINESS SERVICES DIVISION

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

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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, 2015, with comparative information from 2014. 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, 2015

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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, 2015

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**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, 2015, the Restricted and Unrestricted General Fund reported a combined fund balance of approximately \$11.1 million, a decrease of approximately \$2.3 million over last year's ending balance. A large portion of the decrease was attributed to the spending down of prior year carryover.
- The total reported revenue in the General Fund was approximately \$154.8 million. The Local Control Funding Formula Cost of Living Adjustment was 1.565 percent. Compared to 2013-2014, 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 2013-2014.
- As of June 30, 2015, the General Fund reported an unrestricted reserve for economic uncertainties approximately \$6.3 million.
- Continued declining enrollment which resulted in 14,166 ADA, a loss of 124 ADA from 2013-2014.

# LYNWOOD UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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### THE DISTRICT AS A WHOLE

#### Net Position

The District's net position was \$111,603,263 for the fiscal year ended June 30, 2015. Of this amount, \$(128,417,144) 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 |                       |
|-------------------------------------------|-------------------------|-----------------------|
|                                           | 2015                    | 2014<br>As Restated   |
| <b>Assets</b>                             |                         |                       |
| Current and other assets                  | \$ 59,986,582           | 61,965,412            |
| Capital assets                            | 284,390,824             | 288,171,296           |
| <b>Total Assets</b>                       | <b>344,377,406</b>      | <b>350,136,708</b>    |
| <b>Deferred Outflows<br/>of Resources</b> | <b>8,842,396</b>        | <b>7,115,935</b>      |
| <b>Liabilities</b>                        |                         |                       |
| Current liabilities                       | 21,454,179              | 16,830,880            |
| Long-term obligations                     | 95,435,709              | 90,179,605            |
|                                           | 97,012,748              | 124,053,953           |
| <b>Total Liabilities</b>                  | <b>213,902,636</b>      | <b>231,064,438</b>    |
| <b>Deferred Inflows<br/>of Resources</b>  | <b>27,713,903</b>       | <b>-</b>              |
| <b>Net Position</b>                       |                         |                       |
| Net investment in<br>capital assets       | 228,789,876             | 242,098,762           |
| Restricted                                | 11,230,531              | 15,434,987            |
| Unrestricted                              | (128,417,144)           | (131,345,544)         |
| <b>Total Net Position</b>                 | <b>\$ 111,603,263</b>   | <b>\$ 126,188,205</b> |

# LYNWOOD UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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### 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 |                        |
|------------------------------------|-------------------------|------------------------|
|                                    | 2015                    | 2014                   |
| <b>Revenues</b>                    |                         |                        |
| Program Revenues:                  |                         |                        |
| Charges for services               | \$ 263,145              | 484,378                |
| Operating grants and contributions | 27,550,489              | 35,366,952             |
| General Revenues:                  |                         |                        |
| Federal and State aid              | 117,214,570             | 88,864,613             |
| Property taxes                     | 9,234,505               | 10,283,076             |
| Other general revenues             | 18,571,040              | 3,990,630              |
| <b>Total Revenues</b>              | <b>172,833,749</b>      | <b>138,989,649</b>     |
| <b>Expenses</b>                    |                         |                        |
| Instruction-related                | 122,726,131             | 100,685,073            |
| Pupil services                     | 19,129,805              | 15,756,541             |
| General administration             | 12,331,990              | 10,051,821             |
| Plant services                     | 22,823,466              | 18,440,549             |
| Other                              | 10,407,299              | 6,075,723              |
| <b>Total Expenses</b>              | <b>187,418,691</b>      | <b>151,009,707</b>     |
| <b>Change in Net Position</b>      | <b>\$ (14,584,942)</b>  | <b>\$ (12,020,058)</b> |

### Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$187,148,691. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$9,234,505 because the cost was paid by those who benefited from the programs \$263,145 or by other governments and organizations who subsidized certain programs with grants and contributions of \$27,550,489. The remaining "public benefit" portion of our governmental activities was paid with \$117,214,570 in Federal and State aid and \$18,571,040 with other General Fund revenue sources such as interest and general entitlements.

# LYNWOOD UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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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 |                       |
|--------------------------------|------------------------|-----------------------|----------------------------|-----------------------|
|                                | 2015                   | 2014                  | 2015                       | 2014                  |
| Instruction                    | \$ 101,959,827         | 84,809,546            | \$ 91,112,728              | 67,610,972            |
| Instruction-related activities | 20,766,304             | 16,991,427            | 15,423,652                 | 11,224,534            |
| Pupil services                 | 19,129,805             | 14,656,435            | 10,556,037                 | 6,388,820             |
| General administration         | 12,331,990             | 9,568,067             | 11,078,833                 | 8,223,915             |
| Plant services                 | 22,823,466             | 20,816,330            | 22,542,828                 | 20,540,061            |
| Other                          | 10,407,299             | 6,202,351             | 8,890,979                  | 4,994,026             |
| <b>Total</b>                   | <b>\$ 187,418,691</b>  | <b>\$ 153,044,156</b> | <b>\$ 159,605,057</b>      | <b>\$ 118,982,328</b> |

### THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$27,969,133, which is a decrease of \$5,973,126 from last year (Table 4).

**Table 4**

|                              | Balances and Activity |                       |                       |                      |
|------------------------------|-----------------------|-----------------------|-----------------------|----------------------|
|                              | July 1, 2014          | Revenues              | Expenditures          | June 30, 2015        |
| General Fund                 | \$ 13,376,608         | \$ 154,755,514        | \$ 157,071,859        | \$ 11,060,263        |
| Building Fund                | 8,541,364             | 20,842,233            | 21,124,360            | 8,259,237            |
| Non-Major Governmental Funds | 12,024,287            | 14,096,406            | 17,471,060            | 8,649,633            |
| <b>Total</b>                 | <b>\$ 33,942,259</b>  | <b>\$ 189,694,153</b> | <b>\$ 195,667,279</b> | <b>\$ 27,969,133</b> |

The primary reason for this decrease is our General Fund. The fund balance in the General Fund decreased by \$2,316,345 to \$11,060,263. 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 2015. (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, 2015

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### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2015, the District had \$284,390,824 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 \$3,780,472, or 1.31 percent, from last year (Table 5).

**Table 5**

|                            | Governmental Activities |                       |
|----------------------------|-------------------------|-----------------------|
|                            | 2015                    | 2014                  |
| Land                       | \$ 32,298,855           | \$ 32,298,855         |
| Construction in progress   | 2,342,791               | 26,233,483            |
| Land improvements          | 2,929,268               | 3,166,681             |
| Buildings and improvements | 241,213,584             | 223,309,648           |
| Equipment                  | 5,606,326               | 3,162,629             |
| <b>Total</b>               | <b>\$ 284,390,824</b>   | <b>\$ 288,171,296</b> |

#### Long-Term Obligations

At June 30, 2015, the District had \$73,414,824 in general obligation bonds, bond anticipation notes and certificates of participation outstanding compared to \$69,415,236 on June 30, 2014, an increase of 5.76 percent. Other obligations consisted of those items listed in Table 6 below.

**Table 6**

|                               | Governmental Activities |                      |
|-------------------------------|-------------------------|----------------------|
|                               | 2015                    | 2014                 |
| General obligation bonds      | \$ 43,559,824           | \$ 34,930,288        |
| Premium on bonds              | 2,121,547               | 1,255,734            |
| Bond anticipation note        | 9,380,000               | 13,499,948           |
| Certificates of participation | 20,475,000              | 20,985,000           |
| Compensated absences          | 1,874,205               | 1,677,426            |
| PARS retirement               | 1,692,603               | 1,127,104            |
| Claims Liabilities            | 8,497,000               | 7,817,000            |
| OPEB obligation, net          | 7,041,530               | 6,637,105            |
| <b>Total</b>                  | <b>\$ 94,641,709</b>    | <b>\$ 87,929,605</b> |

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, 2015**

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### **Net Pension Liability (NPL)**

At year-end, the District had a pension liability of \$97,012,748 as a result of implementing GASB Statement No. 68.

### **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:

1. 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 2014-2015 P-2 ADA of 14,166.
2. The local control funding formula is computed using Cost of Living Adjustment (COLA) of 1.02 percent and 51.52 percent of the GAP Funding in 2015-2016. Per student ADA funding, under LCFF, will be estimated at \$9,868.
3. The declining enrollment trend continues in Lynwood Unified School District and multi-year projections included the budget assumes flat ADA in the subsequent two fiscal years.

### **THE FUTURE**

The passage of Proposition 30 in November 2012 provided some financial stability for public school districts in California, beginning with 2012-2013. For the 2013-2014 fiscal year, state revenues and cash flow schedules stabilized. The Governor's new fiscal initiative, the Local Control Funding Formula (LCFF) replaces the former Revenue Limit funding model. All public school districts, including Lynwood Unified School District, are converting accounting systems to accommodate the new funding formula in 2014-2015.

The LCFF is anticipated to provide increased state revenues over the next eight years. 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 one hundred fewer students than the previous year's enrollment have been realized on an annual basis. This means a loss in revenue of over a half million dollars each year. The District has seen the declining enrollments starting to level off and is currently budgeting no material change in the 2015-16 budget but will continue to closely monitor.

# **LYNWOOD UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015**

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### **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@mylud.org](mailto:mdunn@mylud.org).

# LYNWOOD UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2015

|                                                                                 | <b>Governmental<br/>Activities</b>  |
|---------------------------------------------------------------------------------|-------------------------------------|
| <b>ASSETS</b>                                                                   |                                     |
| Deposits and investments                                                        | \$ 49,340,620                       |
| Receivables                                                                     | 9,502,580                           |
| Prepaid expenses                                                                | 67,008                              |
| Stores inventories                                                              | 273,067                             |
| Other current assets                                                            | 803,307                             |
| Capital assets                                                                  |                                     |
| Land and construction in process                                                | 34,641,646                          |
| Other capital assets                                                            | 404,668,041                         |
| Less: Accumulated depreciation                                                  | (154,918,863)                       |
| Total Capital Assets                                                            | <u>284,390,824</u>                  |
| <b>Total Assets</b>                                                             | <u><b>344,377,406</b></u>           |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                           |                                     |
| Current year pension contribution                                               | <u>8,842,396</u>                    |
| <b>LIABILITIES</b>                                                              |                                     |
| Accounts payable                                                                | 19,246,156                          |
| Interest payable                                                                | 937,622                             |
| Unearned revenue                                                                | 1,270,401                           |
| Claims liability                                                                | 794,000                             |
| Current portion of long-term obligations<br>other than pensions                 | 2,959,870                           |
| Noncurrent portion of long-term obligations<br>other than pensions              | 91,681,839                          |
| Total Long-Term Obligations Other Than Net Pension Liability                    | <u>94,641,709</u>                   |
| Aggregate net pension liability                                                 | <u>97,012,748</u>                   |
| <b>Total Liabilities</b>                                                        | <u><b>213,902,636</b></u>           |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                            |                                     |
| Net Change in proportionate share of net pension liability                      | 1,520,767                           |
| Difference between projected and actual earnings on<br>pension plan investments | <u>26,193,136</u>                   |
| <b>Total Deferred Inflows<br/>        of Resources</b>                          | <u><b>27,713,903</b></u>            |
| <b>NET POSITION</b>                                                             |                                     |
| Net investment in capital assets                                                | 228,789,876                         |
| Restricted for:                                                                 |                                     |
| Debt service                                                                    | 1,427,877                           |
| Capital projects                                                                | 3,007,517                           |
| Educational programs                                                            | 3,008,452                           |
| Other restrictions                                                              | 3,786,685                           |
| Unrestricted (deficit)                                                          | <u>(128,417,144)</u>                |
| <b>Total Net Position</b>                                                       | <u><u><b>\$ 111,603,263</b></u></u> |

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

# LYNWOOD UNIFIED SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

| Functions/Programs                                        | Expenses              | Program Revenues                     |                                          | Net (Expenses)<br>Revenues and<br>Changes in<br>Net Position |
|-----------------------------------------------------------|-----------------------|--------------------------------------|------------------------------------------|--------------------------------------------------------------|
|                                                           |                       | Charges for<br>Services and<br>Sales | Operating<br>Grants and<br>Contributions |                                                              |
| <b>Governmental Activities:</b>                           |                       |                                      |                                          |                                                              |
| Instruction                                               | \$ 101,959,827        | \$ 49,020                            | \$ 10,798,079                            | \$ (91,112,728)                                              |
| Instruction-related activities:                           |                       |                                      |                                          |                                                              |
| Supervision of instruction                                | 8,487,079             | 269                                  | 3,904,664                                | (4,582,146)                                                  |
| Instructional library, media,<br>and technology           | 814,119               | -                                    | 307,117                                  | (507,002)                                                    |
| School site administration                                | 11,465,106            | 8,041                                | 1,122,561                                | (10,334,504)                                                 |
| Pupil services:                                           |                       |                                      |                                          |                                                              |
| Home-to-school transportation                             | 1,634,464             | -                                    | -                                        | (1,634,464)                                                  |
| Food services                                             | 8,608,038             | 190,307                              | 6,697,247                                | (1,720,484)                                                  |
| All other pupil services                                  | 8,887,303             | 631                                  | 1,685,583                                | (7,201,089)                                                  |
| Administration:                                           |                       |                                      |                                          |                                                              |
| Data processing                                           | 2,229,929             | -                                    | 104,918                                  | (2,125,011)                                                  |
| All other administration                                  | 10,102,061            | 10,744                               | 1,137,495                                | (8,953,822)                                                  |
| Plant services                                            | 22,823,466            | 4,133                                | 276,505                                  | (22,542,828)                                                 |
| Ancillary services                                        | 443,315               | -                                    | 1,332                                    | (441,983)                                                    |
| Community services                                        | 760,779               | -                                    | 554,111                                  | (206,668)                                                    |
| Enterprise services                                       | 4,729                 | -                                    | -                                        | (4,729)                                                      |
| Interest on long-term obligations                         | 5,508,697.00          | -                                    | -                                        | (5,508,697)                                                  |
| Other outgo                                               | 3,689,779             | -                                    | 960,877                                  | (2,728,902)                                                  |
| <b>Total Governmental Activities</b>                      | <b>\$ 187,418,691</b> | <b>\$ 263,145</b>                    | <b>\$ 27,550,489</b>                     | <b>(159,605,057)</b>                                         |
| General revenues and subventions:                         |                       |                                      |                                          |                                                              |
| Property taxes, levied for general purposes               |                       |                                      |                                          | 6,577,954                                                    |
| Property taxes, levied for debt service                   |                       |                                      |                                          | 2,375,223                                                    |
| Taxes levied for other specific purposes                  |                       |                                      |                                          | 281,328                                                      |
| Federal and State aid not restricted to specific purposes |                       |                                      |                                          | 117,214,570                                                  |
| Interest and investment earnings                          |                       |                                      |                                          | 227,463                                                      |
| Miscellaneous                                             |                       |                                      |                                          | 18,343,577                                                   |
| <b>Subtotal, General Revenues</b>                         |                       |                                      |                                          | <b>145,020,115</b>                                           |
| <b>Change in Net Position</b>                             |                       |                                      |                                          | <b>(14,584,942)</b>                                          |
| Beginning Balance (as Restated)                           |                       |                                      |                                          | 126,188,205                                                  |
| Net Position - Ending                                     |                       |                                      |                                          | <b>\$ 111,603,263</b>                                        |

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

# LYNWOOD UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### BALANCE SHEET

JUNE 30, 2015

|                                                | General<br>Fund      | Building<br>Funds   | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|------------------------------------------------|----------------------|---------------------|------------------------------------|--------------------------------|
| <b>ASSETS</b>                                  |                      |                     |                                    |                                |
| Deposits and investments                       | \$ 21,013,997        | \$ 8,433,876        | \$ 8,323,470                       | \$ 37,771,343                  |
| Receivables                                    | 7,605,569            | 25,699              | 1,840,623                          | 9,471,891                      |
| Due from other funds                           | 347,919              | -                   | -                                  | 347,919                        |
| Prepaid expenditures                           | 67,008               | -                   | -                                  | 67,008                         |
| Stores inventories                             | 208,503              | -                   | 64,564                             | 273,067                        |
| Other current assets                           | 803,307              | -                   | -                                  | 803,307                        |
| <b>Total Assets</b>                            | <b>\$ 30,046,303</b> | <b>\$ 8,459,575</b> | <b>\$ 10,228,657</b>               | <b>\$ 48,734,535</b>           |
| <b>LIABILITIES AND<br/>FUND BALANCES</b>       |                      |                     |                                    |                                |
| <b>Liabilities:</b>                            |                      |                     |                                    |                                |
| Accounts payable                               | \$ 17,928,305        | \$ 192,891          | \$ 1,027,975                       | \$ 19,149,171                  |
| Due to other funds                             | -                    | 7,447               | 338,383                            | 345,830                        |
| Unearned revenue                               | 1,057,735            | -                   | 212,666                            | 1,270,401                      |
| <b>Total Liabilities</b>                       | <b>18,986,040</b>    | <b>200,338</b>      | <b>1,579,024</b>                   | <b>20,765,402</b>              |
| <b>Fund Balances:</b>                          |                      |                     |                                    |                                |
| Nonspendable                                   | 326,261              | -                   | 65,314                             | 391,575                        |
| Restricted                                     | 3,008,452            | 8,036,732           | 7,943,715                          | 18,988,899                     |
| Assigned                                       | 1,416,608            | 222,505             | 640,604                            | 2,279,717                      |
| Unassigned                                     | 6,308,942            | -                   | -                                  | 6,308,942                      |
| <b>Total Fund Balances</b>                     | <b>11,060,263</b>    | <b>8,259,237</b>    | <b>8,649,633</b>                   | <b>27,969,133</b>              |
| <b>Total Liabilities and<br/>Fund Balances</b> | <b>\$ 30,046,303</b> | <b>\$ 8,459,575</b> | <b>\$ 10,228,657</b>               | <b>\$ 48,734,535</b>           |

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, 2015

|                                                                                                                                                                                                                                                                                                                                   |                      |                              |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|------------------------------|
| <b>Total Fund Balance - Governmental Funds</b>                                                                                                                                                                                                                                                                                    |                      | \$ 27,969,133                |
| <b>Amounts Reported for Governmental Activities in the<br/>Statement of Net Position is Different Because:</b>                                                                                                                                                                                                                    |                      |                              |
| Capital assets used in governmental activities are not financial resources and,<br>therefore, are not reported as assets in governmental funds.                                                                                                                                                                                   |                      |                              |
| The cost of capital assets is:                                                                                                                                                                                                                                                                                                    | \$ 439,309,687       |                              |
| Accumulated depreciation is:                                                                                                                                                                                                                                                                                                      | <u>(154,918,863)</u> |                              |
| Net Capital Assets                                                                                                                                                                                                                                                                                                                |                      | 284,390,824                  |
| Expenditures relating to contributions made to pension plans were recognized<br>on the modified accrual basis, but are not recognized on the accrual basis.                                                                                                                                                                       |                      | 8,842,396                    |
| In governmental funds, unmatured interest on long-term obligations is recognized<br>in the period when it is due. On the government-wide financial statements,<br>unmatured interest on long-term obligations is recognized when it is incurred.                                                                                  |                      | (937,622)                    |
| An internal service fund is used by the District's management to charge the costs of<br>the health and welfare benefits and workers' compensation program to the<br>individual funds. The assets and liabilities of the Internal Service Fund are<br>included with governmental activities. Internal Service Fund net assets are: |                      | 2,209,892                    |
| The net change in proportionate share of net pension liability as of the<br>measurement date is not recognized as an expenditure under the modified<br>accrual basis, but are recognized on the accrual basis over the expected<br>remaining service life of members receiving pension benefits.                                  |                      | (1,520,767)                  |
| The difference between projected and actual pension plan investment<br>earnings are not recognized on the modified accrual basis, but are<br>recognized on the accrual basis as an adjustment to pension expense.                                                                                                                 |                      | (26,193,136)                 |
| Net pension liability is not due and payable in the current period<br>and is not reported as a liability in the funds.                                                                                                                                                                                                            |                      | (97,012,748)                 |
| Long-term obligations, including general obligation bonds, certificates of<br>participation, capital lease obligations, compensated absences, and<br>postemployment benefits are not due and payable in the current period and,<br>therefore, are not reported as liabilities in the funds.                                       |                      |                              |
| Long-term obligations at year-end consist of:                                                                                                                                                                                                                                                                                     |                      |                              |
| General obligation bonds                                                                                                                                                                                                                                                                                                          | 43,559,824           |                              |
| Premium on issuance, net of amortization                                                                                                                                                                                                                                                                                          | 2,121,547            |                              |
| Bond anticipation note                                                                                                                                                                                                                                                                                                            | 9,380,000            |                              |
| Certificates of participation                                                                                                                                                                                                                                                                                                     | 20,475,000           |                              |
| Compensated absences - accumulated vacation                                                                                                                                                                                                                                                                                       | 1,874,205            |                              |
| PARS retirement                                                                                                                                                                                                                                                                                                                   | 1,692,603            |                              |
| Net OPEB obligation                                                                                                                                                                                                                                                                                                               | <u>7,041,530</u>     |                              |
| Total Long-Term Obligations                                                                                                                                                                                                                                                                                                       |                      | (86,144,709)                 |
| <b>Total Net Position - Governmental Activities</b>                                                                                                                                                                                                                                                                               |                      | <u><u>\$ 111,603,263</u></u> |

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, 2015

|                                                              | General<br>Fund      | Building<br>Fund    | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--------------------------------------------------------------|----------------------|---------------------|------------------------------------|--------------------------------|
| <b>REVENUES</b>                                              |                      |                     |                                    |                                |
| Local Control Funding Formula                                | \$ 120,011,565       | \$ -                | \$ -                               | \$ 120,011,565                 |
| Federal sources                                              | 12,165,991           | -                   | 7,356,117                          | 19,522,108                     |
| Other State sources                                          | 16,179,045           | -                   | 1,264,526                          | 17,443,571                     |
| Other local sources                                          | 6,398,913            | 63,287              | 5,363,401                          | 11,825,601                     |
| <b>Total Revenues</b>                                        | <b>154,755,514</b>   | <b>63,287</b>       | <b>13,984,044</b>                  | <b>168,802,845</b>             |
| <b>EXPENDITURES</b>                                          |                      |                     |                                    |                                |
| Current                                                      |                      |                     |                                    |                                |
| Instruction                                                  | 86,436,244           | -                   | 2,932,407                          | 89,368,651                     |
| Instruction-related activities:                              |                      |                     |                                    |                                |
| Supervision of instruction                                   | 8,316,118            | -                   | 5,892                              | 8,322,010                      |
| Instructional library, media<br>and technology               | 791,046              | -                   | -                                  | 791,046                        |
| School site administration                                   | 10,317,541           | -                   | 342,446                            | 10,659,987                     |
| Pupil services:                                              |                      |                     |                                    |                                |
| Home-to-school transportation                                | 1,610,465            | -                   | -                                  | 1,610,465                      |
| Food services                                                | -                    | -                   | 7,901,271                          | 7,901,271                      |
| All other pupil services                                     | 8,302,696            | -                   | 3,330                              | 8,306,026                      |
| Administration:                                              |                      |                     |                                    |                                |
| Data processing                                              | 2,181,067            | -                   | -                                  | 2,181,067                      |
| All other administration                                     | 9,064,526            | -                   | 575,869                            | 9,640,395                      |
| Plant services                                               | 19,939,682           | -                   | 128,698                            | 20,068,380                     |
| Facility acquisition and construction                        | 3,348,477            | 5,524,605           | 1,856,569                          | 10,729,651                     |
| Ancillary services                                           | 442,377              | -                   | -                                  | 442,377                        |
| Community services                                           | 733,847              | -                   | -                                  | 733,847                        |
| Other outgo                                                  | 3,577,417            | -                   | -                                  | 3,577,417                      |
| Debt service                                                 |                      |                     |                                    |                                |
| Principal                                                    | 904,581              | 13,499,948          | 1,856,333                          | 16,260,862                     |
| Interest and other                                           | 993,413              | 2,099,807           | 1,868,245                          | 4,961,465                      |
| <b>Total Expenditures</b>                                    | <b>156,959,497</b>   | <b>21,124,360</b>   | <b>17,471,060</b>                  | <b>195,554,917</b>             |
| <b>Excess (Deficiency) of<br/>Revenues Over Expenditures</b> | <b>(2,203,983)</b>   | <b>(21,061,073)</b> | <b>(3,487,016)</b>                 | <b>(26,752,072)</b>            |
| <b>Other Financing Sources (Uses)</b>                        |                      |                     |                                    |                                |
| Transfers in                                                 | -                    | -                   | 112,362                            | 112,362                        |
| Other sources                                                | -                    | 20,778,946          | -                                  | 20,778,946                     |
| Transfers out                                                | (112,362)            | -                   | -                                  | (112,362)                      |
| <b>Net Financing Sources<br/>(Uses)</b>                      | <b>(112,362)</b>     | <b>20,778,946</b>   | <b>112,362</b>                     | <b>20,778,946</b>              |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>(2,316,345)</b>   | <b>(282,127)</b>    | <b>(3,374,654)</b>                 | <b>(5,973,126)</b>             |
| <b>Fund Balances - Beginning</b>                             | <b>13,376,608</b>    | <b>8,541,364</b>    | <b>12,024,287</b>                  | <b>33,942,259</b>              |
| <b>Fund Balances - Ending</b>                                | <b>\$ 11,060,263</b> | <b>\$ 8,259,237</b> | <b>\$ 8,649,633</b>                | <b>\$ 27,969,133</b>           |

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, 2015

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                    |                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-----------------------|
| <b>Total Net Change in Fund Balances - Governmental Funds</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                    | <b>\$ (5,973,126)</b> |
| <b>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:</b>                                                                                                                                                                                                                                                                                                                                                                                                                 |                    |                       |
| 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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | \$ (12,739,770)    |                       |
| Capital outlays                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <u>8,959,298</u>   |                       |
| Net Expense Adjustment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                    | (3,780,472)           |
| 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 \$565,499. Vacation used was less than amounts earned by \$196,779. |                    |                       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                    | (762,278)             |
| 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.                                                                                                                                                                                                                       |                    |                       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                    | 1,053,763             |
| 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 \$404,425.                                                                                           |                    |                       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                    | (404,425)             |
| 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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | (10,655,000)       |                       |
| Sale of bond anticipation notes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <u>(9,380,000)</u> |                       |
| Combined Adjustment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                    | (20,035,000)          |
| Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:                                                                       |                    |                       |
| Premium on issuance for general obligation bonds                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | (955,508)          |                       |
| Amortization of debt premium                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <u>89,695</u>      |                       |
| Combined Adjustment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                    | (865,813)             |

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, 2015

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

|                               |                   |               |
|-------------------------------|-------------------|---------------|
| General obligation bonds      | \$ 2,230,000      |               |
| Certificates of participation | 510,000           |               |
| Bond anticipation note        | <u>13,499,948</u> |               |
| Combined Adjustment           |                   | \$ 16,239,948 |

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 \$411,477, and second, \$204,536 of additional accumulated interest was accreted on the Districts' "capital appreciation" general obligation bonds.

\$ (616,013)

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.

558,474

**Change in Net Position of Governmental Activities**

\$ (14,584,942)

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

# LYNWOOD UNIFIED SCHOOL DISTRICT

## PROPRIETARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2015

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|                                  | <b>Governmental<br/>Activities -<br/>Internal<br/>Service Fund</b> |
|----------------------------------|--------------------------------------------------------------------|
| <b>ASSETS</b>                    |                                                                    |
| <b>Current Assets</b>            |                                                                    |
| Deposits and investments         | \$ 11,569,277                                                      |
| Receivables                      | 30,689                                                             |
| <b>Total Assets</b>              | <u>11,599,966</u>                                                  |
| <b>LIABILITIES</b>               |                                                                    |
| <b>Current Liabilities</b>       |                                                                    |
| Accounts payable                 | 96,985                                                             |
| Due to other funds               | 2,089                                                              |
| Claims liability                 | 794,000                                                            |
| <b>Total Current Liabilities</b> | <u>893,074</u>                                                     |
| <b>Noncurrent Liabilities</b>    |                                                                    |
| Long-term claims liability       | 8,497,000                                                          |
| <b>Total Liabilities</b>         | <u>9,390,074</u>                                                   |
| <b>NET POSITION</b>              |                                                                    |
| Restricted                       | 2,209,892                                                          |
| <b>Total Net Position</b>        | <u>\$ 2,209,892</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, 2015

|                                                   | <b>Governmental<br/>Activities -<br/>Internal<br/>Service Fund</b> |
|---------------------------------------------------|--------------------------------------------------------------------|
| <b>OPERATING REVENUES</b>                         |                                                                    |
| Charges to other funds and miscellaneous revenues | <u>\$ 2,793,183</u>                                                |
| <b>OPERATING EXPENSES</b>                         |                                                                    |
| Payroll costs                                     | 119,043                                                            |
| Professional and contract services                | 2,181,514                                                          |
| Supplies and materials                            | <u>1,305</u>                                                       |
| <b>Total Operating Expenses</b>                   | <u>2,301,862</u>                                                   |
| <b>Operating Income</b>                           | <u>491,321</u>                                                     |
| <b>NONOPERATING REVENUES</b>                      |                                                                    |
| Interest income                                   | <u>67,153</u>                                                      |
| <b>Change in Net Position</b>                     | 558,474                                                            |
| <b>Total Net Position - Beginning</b>             | <u>1,651,418</u>                                                   |
| <b>Total Net Position - Ending</b>                | <u><u>\$ 2,209,892</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, 2015

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|                                                                                         | <b>Governmental<br/>Activities -<br/>Internal<br/>Service Fund</b> |
|-----------------------------------------------------------------------------------------|--------------------------------------------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                             |                                                                    |
| Cash receipts from customers                                                            | \$ 2,795,272                                                       |
| Cash payments to suppliers for goods and services                                       | (2,990,177)                                                        |
| Cash payments for administrative expense                                                | <u>(119,043)</u>                                                   |
| Net Cash Used in Operating Activities                                                   | <u>(313,948)</u>                                                   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                             |                                                                    |
| Interest on investments                                                                 | <u>71,133</u>                                                      |
| Net Decrease in Cash and Cash Equivalents                                               | <u>(242,815)</u>                                                   |
| Cash and Cash Equivalents - Beginning                                                   | <u>11,812,092</u>                                                  |
| Cash and Cash Equivalents - Ending                                                      | <u><u>\$ 11,569,277</u></u>                                        |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH<br/>USED IN OPERATING ACTIVITIES:</b> |                                                                    |
| Operating income                                                                        | \$ 491,321                                                         |
| Changes in assets and liabilities:                                                      |                                                                    |
| Accounts payable                                                                        | (31,358)                                                           |
| Due to other funds                                                                      | 2,089                                                              |
| Claims liabilities                                                                      | <u>(776,000)</u>                                                   |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>                                            | <u><u>\$ (313,948)</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, 2015

|                                | Associated<br>Student<br>Bodies | Foundation<br>Private-Purpose<br>Trust Fund | Total<br>Fiduciary<br>Funds |
|--------------------------------|---------------------------------|---------------------------------------------|-----------------------------|
| <b>ASSETS</b>                  |                                 |                                             |                             |
| Deposits and investments       | \$ 659,272                      | \$ 25,617                                   | \$ 684,889                  |
| Receivables                    | -                               | 73                                          | 73                          |
| Stores inventories             | 82,212                          | -                                           | 82,212                      |
| <b>Total Assets</b>            | <b>\$ 741,484</b>               | <b>25,690</b>                               | <b>767,174</b>              |
| <b>LIABILITIES</b>             |                                 |                                             |                             |
| Accounts payable               | \$ -                            | 8,520                                       | 8,520                       |
| Due to student groups          | 741,484                         | -                                           | 741,484                     |
| <b>Total Liabilities</b>       | <b>\$ 741,484</b>               | <b>8,520</b>                                | <b>750,004</b>              |
| <b>NET POSITION</b>            |                                 |                                             |                             |
| Held in trust for scholarships |                                 | 17,170                                      | 17,170                      |
| <b>Total Net Position</b>      |                                 | <b>\$ 17,170</b>                            | <b>\$ 17,170</b>            |

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, 2015

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|                                 | Foundation<br>Private-Purpose<br>Trust Fund |
|---------------------------------|---------------------------------------------|
| <b>ADDITIONS</b>                |                                             |
| District contributions          | \$ 2,101                                    |
| Interest                        | 153                                         |
| <b>Total Additions</b>          | <u>2,254</u>                                |
| <b>DEDUCTIONS</b>               |                                             |
| Other expenditures              | <u>7,520</u>                                |
| <b>Change in Net Position</b>   | (5,266)                                     |
| <b>Net Position - Beginning</b> | <u>22,436</u>                               |
| <b>Net Position - Ending</b>    | <u><u>\$ 17,170</u></u>                     |

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

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### *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/or 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 \$356,724, \$356,724, \$425,885, and \$2,692,027, respectively.

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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**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).

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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**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.

**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.

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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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.

**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.

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

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

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

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the 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, 2015, 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.

# **LYNWOOD UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015**

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### **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.

### **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.

# **LYNWOOD UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015**

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### **Accrued Liabilities and Long-Term Obligations**

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

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

### **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, 2015, fund balances of the governmental funds are classified as follows:

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

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

**Assigned** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

**Unassigned** - all other spendable amounts.

### Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

### Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

### 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, 2015. 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 \$11,230,531 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.

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

### Estimates

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

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

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

### Property Tax

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

### Change in Accounting Principles

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions 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 pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by \$116,938,018. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### New Accounting Pronouncements

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

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.

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 requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported
- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions
- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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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. 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*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

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

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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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 scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

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

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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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 requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

|                                |                      |
|--------------------------------|----------------------|
| Governmental activities        | \$ 49,340,620        |
| Fiduciary funds                | 684,889              |
| Total Deposits and Investments | <u>\$ 50,025,509</u> |

Deposits and investments as of June 30, 2015, consisted of the following:

|                                |                      |
|--------------------------------|----------------------|
| Cash on hand and in banks      | \$ 1,314,789         |
| Cash in revolving              | 51,500               |
| Investments                    | 48,659,220           |
| Total Deposits and Investments | <u>\$ 50,025,509</u> |

#### Policies and Practices

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

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

### General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

| Authorized<br>Investment Type           | Maximum<br>Remaining<br>Maturity | Maximum<br>Percentage<br>of Portfolio | Maximum<br>Investment<br>in One Issuer |
|-----------------------------------------|----------------------------------|---------------------------------------|----------------------------------------|
| Local Agency Bonds, Notes, Warrants     | 5 years                          | None                                  | None                                   |
| Registered State Bonds, Notes, Warrants | 5 years                          | None                                  | None                                   |
| U.S. Treasury Obligations               | 5 years                          | None                                  | None                                   |
| U.S. Agency Securities                  | 5 years                          | None                                  | None                                   |
| Banker's Acceptance                     | 180 days                         | 40%                                   | 30%                                    |
| Commercial Paper                        | 270 days                         | 25%                                   | 10%                                    |
| Negotiable Certificates of Deposit      | 5 years                          | 30%                                   | None                                   |
| Repurchase Agreements                   | 1 year                           | None                                  | None                                   |
| Reverse Repurchase Agreements           | 92 days                          | 20% of base                           | None                                   |
| Medium-Term Corporate Notes             | 5 years                          | 30%                                   | None                                   |
| Mutual Funds                            | N/A                              | 20%                                   | 10%                                    |
| Money Market Mutual Funds               | N/A                              | 20%                                   | 10%                                    |
| Mortgage Pass-Through Securities        | 5 years                          | 20%                                   | None                                   |
| County Pooled Investment Funds          | N/A                              | None                                  | None                                   |
| Local Agency Investment Fund (LAIF)     | N/A                              | None                                  | None                                   |

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### 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<br>Value        | Weighted-Average<br>Maturity in Days |
|------------------------------------|----------------------|--------------------------------------|
| Los Angeles County Investment Pool | <u>\$ 48,608,416</u> | 595                                  |

### 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, 2015.

### 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, 2015, the District's bank balance of \$843,298 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.

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### NOTE 3 - RECEIVABLES

Receivables at June 30, 2015, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

|                               | General<br>Fund     | Building<br>Fund | Non-Major<br>Governmental<br>Funds | Internal<br>Service<br>Fund | Total<br>Governmental<br>Activities | Fiduciary<br>Fund |
|-------------------------------|---------------------|------------------|------------------------------------|-----------------------------|-------------------------------------|-------------------|
| Federal Government            |                     |                  |                                    |                             |                                     |                   |
| Categorical aid               | \$ 2,924,898        | \$ -             | \$ 1,600,033                       | \$ -                        | \$ 4,524,931                        | \$ -              |
| State Government              |                     |                  |                                    |                             |                                     |                   |
| State principal apportionment | -                   | -                | -                                  | -                           | -                                   | -                 |
| Categorical aid               | 463,619             | -                | 196,944                            | -                           | 660,563                             | -                 |
| Lottery                       | 1,357,758           | -                | -                                  | -                           | 1,357,758                           | -                 |
| Local Government              |                     |                  |                                    |                             |                                     |                   |
| Interest                      | 52,671              | 25,699           | 20,587                             | 30,689                      | 129,646                             | 73                |
| Other Local Sources           | 2,806,623           | -                | 23,059                             | -                           | 2,829,682                           | -                 |
| Total                         | <u>\$ 7,605,569</u> | <u>\$ 25,699</u> | <u>\$ 1,840,623</u>                | <u>\$ 30,689</u>            | <u>\$ 9,502,580</u>                 | <u>\$ 73</u>      |

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

|                                                | Balance<br>July 1, 2014 | Additions            | Deductions           | Balance<br>June 30, 2015 |
|------------------------------------------------|-------------------------|----------------------|----------------------|--------------------------|
| <b>Governmental Activities</b>                 |                         |                      |                      |                          |
| Capital Assets Not Being Depreciated           |                         |                      |                      |                          |
| Land                                           | \$ 32,298,855           | \$ -                 | \$ -                 | \$ 32,298,855            |
| Construction in progress                       | 26,233,483              | 2,342,791            | 26,233,483           | 2,342,791                |
| Total Capital Assets Not<br>Being Depreciated  | 58,532,338              | 2,342,791            | 26,233,483           | 34,641,646               |
| Capital Assets Being Depreciated               |                         |                      |                      |                          |
| Land improvements                              | 5,721,561               | -                    | -                    | 5,721,561                |
| Buildings and improvements                     | 356,324,654             | 29,676,788           | -                    | 386,001,442              |
| Furniture and equipment                        | 9,771,836               | 3,173,202            | -                    | 12,945,038               |
| Total Capital Assets<br>Being Depreciated      | 371,818,051             | 32,849,990           | -                    | 404,668,041              |
| Total Capital Assets                           | 430,350,389             | 35,192,781           | 26,233,483           | 439,309,687              |
| Less Accumulated Depreciation                  |                         |                      |                      |                          |
| Land improvements                              | 2,554,880               | 237,413              | -                    | 2,792,293                |
| Buildings and improvements                     | 133,015,006             | 11,772,852           | -                    | 144,787,858              |
| Furniture and equipment                        | 6,609,207               | 729,505              | -                    | 7,338,712                |
| Total Accumulated Depreciation                 | 142,179,093             | 12,739,770           | -                    | 154,918,863              |
| Governmental Activities<br>Capital Assets, Net | <u>\$ 288,171,296</u>   | <u>\$ 22,453,011</u> | <u>\$ 26,233,483</u> | <u>\$ 284,390,824</u>    |

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

|                                                     |                      |
|-----------------------------------------------------|----------------------|
| <b>Governmental Activities</b>                      |                      |
| Instruction                                         | \$ 10,523,032        |
| School site administration                          | 343,975              |
| Food services                                       | 598,769              |
| All other administration                            | 751,646              |
| Plant services                                      | 522,348              |
| Total Depreciation Expenses Governmental Activities | <u>\$ 12,739,770</u> |

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

### NOTE 5 - 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, 2015, between major and non-major governmental funds, non-major enterprise funds, internal service funds, and fiduciary funds are as follows:

| Due To       | Due From         |                                    |                             | Total      |
|--------------|------------------|------------------------------------|-----------------------------|------------|
|              | Building<br>Fund | Non-Major<br>Governmental<br>Funds | Internal<br>Service<br>Fund |            |
| General Fund | \$ 7,447         | \$ 338,383                         | \$ 2,089                    | \$ 347,919 |

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

A balance of \$317,973 is due to the General Fund from the Non-Major Governmental Child Development Fund for payroll expenses.

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

The balance of \$2,089 is due to the General Fund from the Internal Service Fund for workers' compensation vouchers.

#### Operating Transfers

Interfund transfers for the year ended June 30, 2015, consisted of the following:

| Transfer To                  | Transfer From<br>General<br>Fund |
|------------------------------|----------------------------------|
| Non-Major Governmental Funds | \$ 112,362                       |

The General Fund transferred to the Non-Major Governmental Child Development Fund for reimbursement of costs.

\$ 112,362

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.

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2015, consisted of the following:

|                                  | General<br>Fund      | Building<br>Fund  | Non-Major<br>Governmental<br>Funds | Internal<br>Service<br>Fund | Total<br>Governmental<br>Activity |
|----------------------------------|----------------------|-------------------|------------------------------------|-----------------------------|-----------------------------------|
| Vendor payables                  | \$ 5,556,292         | \$ -              | \$ 354,626                         | \$ 75,651                   | \$ 5,986,569                      |
| State principal<br>apportionment | 1,993,169            | -                 | -                                  | -                           | 1,993,169                         |
| Salaries and benefits            | 10,378,844           | 5,641             | 582,298                            | 21,334                      | 10,988,117                        |
| Construction                     | -                    | 187,250           | 91,051                             | -                           | 278,301                           |
| Total                            | <u>\$ 17,928,305</u> | <u>\$ 192,891</u> | <u>\$ 1,027,975</u>                | <u>\$ 96,985</u>            | <u>\$ 19,246,156</u>              |

### NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2015, consisted of the following:

|                              | General<br>Fund     | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Activity |
|------------------------------|---------------------|------------------------------------|-----------------------------------|
| Federal financial assistance | \$ 231,438          | \$ 212,666                         | \$ 444,104                        |
| State categorical aid        | 826,297             | -                                  | 826,297                           |
| Total                        | <u>\$ 1,057,735</u> | <u>\$ 212,666</u>                  | <u>\$ 1,270,401</u>               |

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

### NOTE 8 - LONG-TERM OBLIGATIONS

#### Summary

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

|                               | Balance<br>July 1, 2014 | Additions            | Deductions           | Balance<br>June 30, 2015 | Due in<br>One Year  |
|-------------------------------|-------------------------|----------------------|----------------------|--------------------------|---------------------|
| General obligation bonds      | \$ 34,930,288           | \$ 10,859,536        | \$ 2,230,000         | \$ 43,559,824            | \$ 1,355,934        |
| Premium on bonds              | 1,255,734               | 955,508              | 89,695               | 2,121,547                | -                   |
| Bond anticipation note        | 13,499,948              | 9,380,000            | 13,499,948           | 9,380,000                | -                   |
| Certificates of participation | 20,985,000              | -                    | 510,000              | 20,475,000               | 545,000             |
| Compensated absences          | 1,677,426               | 196,779              | -                    | 1,874,205                | -                   |
| PARS retirement               | 1,127,104               | 1,624,435            | 1,058,936            | 1,692,603                | 1,058,936           |
| Claims Liabilities            | 7,817,000               | 680,000              | -                    | 8,497,000                | -                   |
| OPEB obligation, net          | 6,637,105               | 1,175,211            | 770,786              | 7,041,530                | -                   |
|                               | <u>\$ 87,929,605</u>    | <u>\$ 24,871,469</u> | <u>\$ 18,159,365</u> | <u>\$ 94,641,709</u>     | <u>\$ 2,959,870</u> |

- Payments on General Obligation Bonds are made by the Bond Interest and Redemption Fund with local revenues.
- Payments on the Certificates of Participation are made from the General Fund.
- The compensated absences will be paid by the fund for which the employee worked.
- Payments for PARS Retirement obligations are made from the General Fund.
- Payments for Claims Liabilities are made 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.

| Issue<br>Date | Maturity<br>Date | Interest<br>Rate | Original<br>Issue    | Bonds<br>Outstanding<br>July 1, 2014 | Issued               | Accreted          | Redeemed            | Bonds<br>Outstanding<br>June 30, 2015 |
|---------------|------------------|------------------|----------------------|--------------------------------------|----------------------|-------------------|---------------------|---------------------------------------|
| 5/1/2003      | 5/1/2028         | 5.52 - 6.90%     | \$ 19,999,801        | \$ 3,810,288                         | \$ -                 | \$ 204,536        | \$ 700,000          | \$ 3,314,824                          |
| 2/9/2012      | 8/1/2027         | 2.00 - 5.00%     | 14,700,000           | 14,620,000                           | -                    | -                 | 30,000              | 14,590,000                            |
| 2/12/2013     | 8/1/2038         | 2.00 - 5.00%     | 16,500,000           | 16,500,000                           | -                    | -                 | 1,500,000           | 15,000,000                            |
| 7/15/14       | 8/1/2039         | 1.25 - 4.28%     | 10,655,000           | -                                    | 10,655,000           | -                 | -                   | 10,655,000                            |
|               |                  |                  | <u>\$ 61,854,801</u> | <u>\$ 34,930,288</u>                 | <u>\$ 10,655,000</u> | <u>\$ 204,536</u> | <u>\$ 2,230,000</u> | <u>\$ 43,559,824</u>                  |

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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### 2002 General Obligation Bonds, Series A

In April 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, 2015, the principal balance outstanding was \$3,314,824.

The bonds mature through 2028 as follows:

| <u>Fiscal Year</u> | <u>Principal<br/>Including Accreted<br/>Interest to Date</u> | <u>Interest to<br/>Maturity</u> | <u>Total</u>        |
|--------------------|--------------------------------------------------------------|---------------------------------|---------------------|
| 2016               | \$ 745,934                                                   | \$ 4,066                        | \$ 750,000          |
| 2017               | 744,639                                                      | 55,361                          | 800,000             |
| 2018               | 740,365                                                      | 109,635                         | 850,000             |
| 2026-2028          | 1,083,886                                                    | 1,116,114                       | 2,200,000           |
| Total              | <u>\$ 3,314,824</u>                                          | <u>\$ 1,285,176</u>             | <u>\$ 4,600,000</u> |

### 2012 General Obligation Refunding Bonds

On January 11, 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, 2015, the principal balance outstanding was \$14,590,000.

The bonds mature through 2028 as follows:

| <u>Fiscal Year</u> | <u>Principal</u>     | <u>Interest to<br/>Maturity</u> | <u>Total</u>         |
|--------------------|----------------------|---------------------------------|----------------------|
| 2016               | \$ 35,000            | \$ 623,863                      | \$ 658,863           |
| 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            |
| 2021-2025          | 6,760,000            | 2,251,125                       | 9,011,125            |
| 2026-2028          | 5,755,000            | 473,013                         | 6,228,013            |
| Total              | <u>\$ 14,590,000</u> | <u>\$ 5,793,421</u>             | <u>\$ 20,383,421</u> |

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### 2012 General Obligation Bonds, Series A

On January 30, 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, 2015, the principal balance outstanding was \$15,000,000.

The bonds mature through 2039 as follows:

| Fiscal Year | Principal            | Interest to<br>Maturity | Total                |
|-------------|----------------------|-------------------------|----------------------|
| 2016        | \$ 575,000           | \$ 651,675              | \$ 1,226,675         |
| 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              |
| 2021-2025   | 2,095,000            | 2,870,925               | 4,965,925            |
| 2026-2030   | 2,905,000            | 2,401,475               | 5,306,475            |
| 2031-2035   | 3,960,000            | 1,678,750               | 5,638,750            |
| 2036-2039   | 4,235,000            | 546,000                 | 4,781,000            |
| Total       | <u>\$ 15,000,000</u> | <u>\$ 10,657,475</u>    | <u>\$ 25,657,475</u> |

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### 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, 2015, the principal balance outstanding was \$10,655,000.

The bonds mature through 2040 as follows:

| Fiscal Year | Principal            | Interest to<br>Maturity | Total                |
|-------------|----------------------|-------------------------|----------------------|
| 2016        | \$ -                 | \$ 406,056              | \$ 406,056           |
| 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              |
| 2021-2025   | 300,000              | 1,977,906               | 2,277,906            |
| 2026-2030   | 1,505,000            | 1,851,744               | 3,356,744            |
| 2031-2035   | 3,360,000            | 1,477,450               | 4,837,450            |
| 2036-2040   | 5,000,000            | 739,200                 | 5,739,200            |
| Total       | <u>\$ 10,655,000</u> | <u>\$ 8,062,280</u>     | <u>\$ 18,717,280</u> |

### Bonds Anticipation Note

On January 30, 2013, the District issued \$13,499,948 in 2013 General Obligation Bonds Anticipation Note. Proceeds from the bonds will be used for the purpose of the construction, equipping, furnishing, and improvement of certain school facilities within the District. The remaining bonds mature on August 1, 2014, with a yield of 1.10 percent. As of June 30, 2015, there was no remaining balance.

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, 2015, 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, 2015, the remaining balance was \$700,000.

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

### Certificates of Participation Summary

The outstanding certificates of participation are as follows:

| Maturity<br>Date | Original<br>Issue    | COP                         |             | COP               |                              |
|------------------|----------------------|-----------------------------|-------------|-------------------|------------------------------|
|                  |                      | Outstanding<br>July 1, 2014 | Issued      | Redeemed          | Outstanding<br>June 30, 2015 |
| 2038             | \$ 19,430,000        | \$ 17,215,000               | \$ -        | \$ 420,000        | \$ 16,795,000                |
| 2038             | 4,260,000            | 3,770,000                   | -           | 90,000            | 3,680,000                    |
|                  | <u>\$ 23,690,000</u> | <u>\$ 20,985,000</u>        | <u>\$ -</u> | <u>\$ 510,000</u> | <u>\$ 20,475,000</u>         |

### 2007 Certificates of Participation Series A

On April 12, 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. At June 30, 2015, the principal balance outstanding was \$16,795,000.

The certificates mature through 2038 as follows:

| Fiscal Year | Principal            | Interest to          |                      |
|-------------|----------------------|----------------------|----------------------|
|             |                      | Maturity             | Total                |
| 2016        | \$ 445,000           | \$ 756,943           | \$ 1,201,943         |
| 2017        | 450,000              | 738,484              | 1,188,484            |
| 2018        | 485,000              | 719,199              | 1,204,199            |
| 2019        | 510,000              | 698,996              | 1,208,996            |
| 2020        | 520,000              | 678,071              | 1,198,071            |
| 2021-2025   | 2,910,000            | 3,043,481            | 5,953,481            |
| 2026-2030   | 3,620,000            | 2,335,513            | 5,955,513            |
| 2031-2035   | 4,535,000            | 1,401,985            | 5,936,985            |
| 2036-2038   | 3,320,000            | 254,750              | 3,574,750            |
| Total       | <u>\$ 16,795,000</u> | <u>\$ 10,627,422</u> | <u>\$ 27,422,422</u> |

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### 2007 Certificates of Participation Series B

On April 12, 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. At June 30, 2015, the principal balance outstanding was \$3,680,000.

The certificates mature through 2038 as follows:

| Fiscal Year | Principal           | Interest to<br>Maturity | Total               |
|-------------|---------------------|-------------------------|---------------------|
| 2016        | \$ 100,000          | \$ 179,588              | \$ 279,588          |
| 2017        | 100,000             | 175,338                 | 275,338             |
| 2018        | 105,000             | 170,981                 | 275,981             |
| 2019        | 110,000             | 166,000                 | 276,000             |
| 2020        | 115,000             | 160,375                 | 275,375             |
| 2021-2025   | 640,000             | 710,750                 | 1,350,750           |
| 2026-2030   | 795,000             | 531,875                 | 1,326,875           |
| 2031-2035   | 985,000             | 309,875                 | 1,294,875           |
| 2036-2038   | 730,000             | 56,000                  | 786,000             |
| Total       | <u>\$ 3,680,000</u> | <u>\$ 2,460,782</u>     | <u>\$ 6,140,782</u> |

### Compensated Absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2015, amounted to \$1,874,205.

### 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, 2015, is \$1,692,603.

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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Future payments are as follows:

| Year Ending<br>June 30, | Amount              |
|-------------------------|---------------------|
| 2016                    | \$ 1,058,936        |
| 2017                    | 495,384             |
| 2018                    | 138,283             |
| Total                   | <u>\$ 1,692,603</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, 2015, was \$1,264,704, and contributions made by the District during the year were \$770,786. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$331,855 and \$(421,348), respectively, which resulted in an increase to the net OPEB obligation of \$404,425. As of June 30, 2015, the net OPEB obligation was \$7,041,530. 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, 2015

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### NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

|                             | General<br>Fund                | Building<br>Fund            | Non-Major<br>Governmental<br>Funds |
|-----------------------------|--------------------------------|-----------------------------|------------------------------------|
| Nonspendable                |                                |                             |                                    |
| Revolving cash              | \$ 50,750                      | \$ -                        | \$ 750                             |
| Stores inventories          | 208,503                        | -                           | 64,564                             |
| Prepaid expenditures        | 67,008                         | -                           | -                                  |
| Total Nonspendable          | 326,261                        | -                           | 65,314                             |
| Restricted                  |                                |                             |                                    |
| Legally restricted programs | 3,008,452                      | -                           | 2,922,103                          |
| Capital projects            | -                              | 8,036,732                   | 2,650,383                          |
| Debt services               | -                              | -                           | 2,371,229                          |
| Total Restricted            | 3,008,452                      | 8,036,732                   | 7,943,715                          |
| Assigned                    |                                |                             |                                    |
| Other assignments           | 1,416,608                      | 222,505                     | 640,604                            |
| Unassigned                  |                                |                             |                                    |
| Economic uncertainties      | 6,308,942                      | -                           | -                                  |
| Total                       | <u>\$ 11,060,263</u>           | <u>\$ 8,259,237</u>         | <u>\$ 8,649,633</u>                |
|                             |                                |                             |                                    |
|                             | Total<br>Governmental<br>Funds | Internal<br>Service<br>Fund | Fiduciary<br>Funds                 |
| Nonspendable                |                                |                             |                                    |
| Revolving cash              | \$ 51,500                      | \$ -                        | \$ -                               |
| Stores inventories          | 273,067                        | -                           | -                                  |
| Prepaid expenditures        | 67,008                         | -                           | -                                  |
| Total Nonspendable          | 391,575                        | -                           | -                                  |
| Restricted                  |                                |                             |                                    |
| Legally restricted programs | 8,140,447                      | 2,209,892                   | 17,170                             |
| Capital projects            | 10,687,115                     | -                           | -                                  |
| Debt services               | 2,371,229                      | -                           | -                                  |
| Total Restricted            | 21,198,791                     | 2,209,892                   | 17,170                             |
| Assigned                    |                                |                             |                                    |
| Other assignments           | 2,279,717                      | -                           | -                                  |
| Unassigned                  |                                |                             |                                    |
| Economic uncertainties      | 6,308,942                      | -                           | -                                  |
| Total                       | <u>\$ 30,179,025</u>           | <u>\$ 2,209,892</u>         | <u>\$ 17,170</u>                   |

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### ***NOTE 12 - EXPENDITURES (BUDGET VERSUS ACTUAL)***

At June 30, 2015, the following District major fund exceeded the budgeted amount in total as follows:

|              | Expenditures and Other Uses |                       |                     |
|--------------|-----------------------------|-----------------------|---------------------|
|              | Budget                      | Actual                | Excess              |
| General Fund | <u>\$ 147,383,130</u>       | <u>\$ 156,959,497</u> | <u>\$ 9,576,367</u> |

### ***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 157 retirees and beneficiaries currently receiving benefits and approximately 1,400 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 2014-2015, the District contributed \$770,786 to the Plan all of which was used for current premiums.

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### 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               | \$ 1,264,704        |
| Interest on net OPEB obligation            | 331,855             |
| Adjustment to annual required contribution | (421,348)           |
| Annual OPEB cost (expense)                 | 1,175,211           |
| Contributions made                         | (770,786)           |
| Increase in net OPEB obligation            | 404,425             |
| Net OPEB obligation, beginning of year     | 6,637,105           |
| Net OPEB obligation, end of year           | <u>\$ 7,041,530</u> |

### Trend Information

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

| Year Ended<br>June 30, | Annual<br>OPEB<br>Cost | Actual<br>Employer<br>Contribution | Percentage<br>Contributed | Net OPEB<br>Obligation |
|------------------------|------------------------|------------------------------------|---------------------------|------------------------|
| 2013                   | \$ 1,256,568           | \$ 983,696                         | 78.28%                    | \$ 6,300,138           |
| 2014                   | 1,189,394              | 852,427                            | 71.67%                    | 6,637,105              |
| 2015                   | 1,175,211              | \$ 770,786                         | 65.59%                    | 7,041,530              |

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### Funded Status and Funding Progress

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

| Actuarial<br>Valuation<br>Date | Actuarial Value<br>of Assets (a) | Actuarial<br>Accrued<br>Liability<br>(AAL) -<br>Projected<br>Unit Credit (b) | Unfunded<br>AAL<br>(UAAL)<br>(b - a) | Funded Ratio<br>(a / b) | Covered<br>Payroll (c) | UAAL as a<br>Percentage of<br>Covered Payroll<br>([b - a] / c) |
|--------------------------------|----------------------------------|------------------------------------------------------------------------------|--------------------------------------|-------------------------|------------------------|----------------------------------------------------------------|
| July 1, 2012                   | \$ -                             | \$ 10,893,076                                                                | \$ 10,893,076                        | 0%                      | \$ 97,500,280          | 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.

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, 2015, was 24 years.

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### 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, 2013 to June 30, 2015:

|                                  | Workers'<br>Compensation |
|----------------------------------|--------------------------|
| Liability Balance, July 1, 2013  | \$ 10,157,250            |
| Claims provision                 | 2,566,637                |
| Claims paid                      | (2,656,887)              |
| Liability Balance, June 30, 2014 | 10,067,000               |
| Claims provision                 | 2,793,183                |
| Claims paid                      | (3,569,183)              |
| Liability Balance, June 30, 2015 | <u>\$ 9,291,000</u>      |
| Amount available to pay claims   | <u>\$ 11,599,966</u>     |

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### 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).

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

| Pension Plan | Proportionate<br>Share of Net<br>Pension Liability | Deferred<br>Outflow of<br>Resources | Proportionate<br>Share of Deferred<br>Inflow of Resources | Proportionate<br>Share of<br>Pension Expense |
|--------------|----------------------------------------------------|-------------------------------------|-----------------------------------------------------------|----------------------------------------------|
| CalSTRS      | \$ 73,349,471                                      | \$ 5,971,352                        | \$ 18,062,168                                             | \$ 6,332,428                                 |
| CalPERS      | 23,663,277                                         | 2,871,044                           | 9,651,735                                                 | 2,103,182                                    |
| Total        | <u>\$ 97,012,748</u>                               | <u>\$ 8,842,396</u>                 | <u>\$ 27,713,903</u>                                      | <u>\$ 8,435,610</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, 2013, 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, 2015

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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, 2015, are summarized as follows:

|                                                           | School Employer Pool (CalSTRS)    |                                |
|-----------------------------------------------------------|-----------------------------------|--------------------------------|
|                                                           | On or before<br>December 31, 2012 | On or after<br>January 1, 2013 |
| Hire date                                                 | December 31, 2012                 | January 1, 2013                |
| Benefit formula                                           | 2% at 60                          | 2% at 62                       |
| Benefit vesting schedule                                  | 5 years of service                | 5 years of service             |
| Benefit payments                                          | Monthly for life                  | Monthly for life               |
| Retirement age                                            | 60                                | 62                             |
| Monthly benefits as a percentage of eligible compensation | 2.0% - 2.4%                       | 2.0% - 2.4%                    |
| Required employee contribution rate                       | 8.15%                             | 8.15%                          |
| Required employer contribution rate                       | 8.88%                             | 8.88%                          |
| Required State contribution rate                          | 5.95%                             | 5.95%                          |

### 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, 2015, are presented above and the District's total contributions were \$5,971,352.

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

At June 30, 2015, 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                               | \$ 73,349,471         |
| State's proportionate share of the net pension liability associated with the District | 44,291,578            |
| Total                                                                                 | <u>\$ 117,641,049</u> |

The net pension liability was measured as of June 30, 2014. 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. At June 30, 2015, the District's proportion was 0.1255 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$6,332,428. In addition, the District recognized revenue and pension expense of \$3,823,793 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                               | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|-------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Pension contributions subsequent to measurement date                          | \$ 5,971,352                         | \$ -                                |
| Differences between projected and actual earnings on pension plan investments | -                                    | 18,062,168                          |
| Total                                                                         | <u>\$ 5,971,352</u>                  | <u>\$ 18,062,168</u>                |

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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The deferred outflow 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 year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

| Year Ended<br>June 30, | Amortization         |
|------------------------|----------------------|
| 2016                   | \$ 4,515,542         |
| 2017                   | 4,515,542            |
| 2018                   | 4,515,542            |
| 2019                   | 4,515,542            |
| Total                  | <u>\$ 18,062,168</u> |

### 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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

|                           |                                    |
|---------------------------|------------------------------------|
| Valuation date            | June 30, 2013                      |
| Measurement date          | June 30, 2014                      |
| 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.

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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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 ten-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%                                  |

### 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.

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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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%)           | \$ 114,332,643        |
| Current discount rate (7.60%) | \$ 73,349,471         |
| 1% increase (8.60%)           | \$ 39,176,955         |

### **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, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:

<https://www.calpers.ca.gov/page/forms-publications>.

#### **Benefits Provided**

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

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

|                                                           | School Employer Pool (CalPERS)    |                                |
|-----------------------------------------------------------|-----------------------------------|--------------------------------|
|                                                           | On or before<br>December 31, 2012 | On or after<br>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                       | 11.771%                           | 11.771%                        |

### 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, 2015, are presented above and the total District contributions were \$2,871,044.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$23,663,277. The net pension liability was measured as of June 30, 2014. 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. At June 30, 2015, the District's proportion was 0.2084 percent.

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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For the year ended June 30, 2015, the District recognized pension expense of \$2,103,182. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|----------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Pension contributions subsequent to measurement date                             | \$ 2,871,044                         | \$ -                                |
| Net change in proportionate share of net pension liability                       |                                      | 1,520,767                           |
| Differences between projected and actual earnings<br>on pension plan investments | -                                    | 8,130,968                           |
| Total                                                                            | <u>\$ 2,871,044</u>                  | <u>\$ 9,651,735</u>                 |

The deferred outflow 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 year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

| Year Ended<br>June 30, | Amortization        |
|------------------------|---------------------|
| 2016                   | \$ 2,032,742        |
| 2017                   | 2,032,742           |
| 2018                   | 2,032,742           |
| 2019                   | 2,032,742           |
| Total                  | <u>\$ 8,130,968</u> |

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

| Year Ended<br>June 30, | Amortization        |
|------------------------|---------------------|
| 2016                   | \$ 506,922          |
| 2017                   | 506,922             |
| 2018                   | 506,923             |
| Total                  | <u>\$ 1,520,767</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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

|                           |                                    |
|---------------------------|------------------------------------|
| Valuation date            | June 30, 2013                      |
| Measurement date          | June 30, 2014                      |
| Experience study          | July 1, 1997 through June 30, 2011 |
| Actuarial cost method     | Entry age normal                   |
| Discount rate             | 7.50%                              |
| Investment rate of return | 7.50%                              |
| Consumer price inflation  | 2.75%                              |
| Wage growth               | 3.00%                              |

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, 2015

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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<br>Allocation | Long-Term<br>Expected Real<br>Rate of Return |
|-------------------------------|-----------------------------|----------------------------------------------|
| Global equity                 | 47%                         | 5.25%                                        |
| Global fixed income           | 19%                         | 0.99%                                        |
| Private equity                | 12%                         | 6.83%                                        |
| Real estate                   | 11%                         | 4.50%                                        |
| Inflation sensitive           | 6%                          | 0.45%                                        |
| Infrastructure and Forestland | 3%                          | 4.50%                                        |
| Liquidity                     | 2%                          | -0.55%                                       |

### Discount Rate

The discount rate used to measure the total pension liability was 7.50 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.

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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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 (6.50%)           | \$ 41,510,789         |
| Current discount rate (7.50%) | \$ 23,663,277         |
| 1% increase (8.50%)           | \$ 8,749,881          |

### 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 \$3,219,306 (5.679 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, 2015.

#### 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, 2015.

# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### **NOTE 15 - PARTICIPATION IN JOINT POWERS AUTHORITIES**

The District is a member of the Alliance of Schools for Cooperative Insurance Programs (ASCIP), 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, 2015, the District made payments of \$67,201 and \$119,799 to ASCIP and SELF, respectively.

### **NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION**

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

#### **Statement of Net Position**

|                                                                                       |                              |
|---------------------------------------------------------------------------------------|------------------------------|
| Net Position - Beginning                                                              | \$ 243,126,223               |
| Inclusion of net pension liability from adoption of GASB No. 68                       | (115,417,251)                |
| Inclusion of deferred inflows of resources from the adoption of GASB Statement No. 68 | <u>(1,520,767)</u>           |
| Net Position - Beginning as Restated                                                  | <u><u>\$ 126,188,205</u></u> |

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***REQUIRED SUPPLEMENTARY INFORMATION***

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# LYNWOOD UNIFIED SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2015

|                                        | Budgeted Amounts     |                      | Actual               | Variances -            |
|----------------------------------------|----------------------|----------------------|----------------------|------------------------|
|                                        | Original             | Final                | (GAAP Basis)         | Positive<br>(Negative) |
|                                        |                      |                      |                      | Final<br>to Actual     |
| <b>REVENUES</b>                        |                      |                      |                      |                        |
| Local Control Funding Formula          | \$ 116,414,395       | \$ 118,362,097       | \$ 120,011,565       | \$ 1,649,468           |
| Federal sources                        | 11,482,508           | 14,376,339           | 12,165,991           | (2,210,348)            |
| Other State sources                    | 9,851,203            | 13,149,549           | 16,179,045           | 3,029,496              |
| Other local sources                    | 2,619,895            | 2,681,345            | 6,398,913            | 3,717,568              |
| <b>Total Revenues <sup>1</sup></b>     | <b>140,368,001</b>   | <b>148,569,330</b>   | <b>154,755,514</b>   | <b>6,186,184</b>       |
| <b>EXPENDITURES</b>                    |                      |                      |                      |                        |
| Current                                |                      |                      |                      |                        |
| Certificated salaries                  | 54,929,294           | 63,405,651           | 65,130,271           | (1,724,620)            |
| Classified salaries                    | 21,859,064           | 24,221,491           | 24,830,481           | (608,990)              |
| Employee benefits                      | 24,848,522           | 26,913,493           | 32,577,598           | (5,664,105)            |
| Books and supplies                     | 5,706,752            | 6,555,408            | 6,260,341            | 295,067                |
| Services and operating expenditures    | 19,435,714           | 19,110,760           | 18,992,859           | 117,901                |
| Capital outlay                         | 1,829,045            | 2,070,702            | 4,268,404            | (2,197,702)            |
| Other outgo                            | 4,378,427            | 5,105,625            | 3,001,549            | 2,104,076              |
| Debt service                           |                      |                      |                      |                        |
| Principal                              | -                    | -                    | 904,581              | (904,581)              |
| Interest                               | -                    | -                    | 993,413              | (993,413)              |
| <b>Total Expenditures <sup>1</sup></b> | <b>132,986,818</b>   | <b>147,383,130</b>   | <b>156,959,497</b>   | <b>(9,576,367)</b>     |
| <b>Excess (Deficiency) of Revenues</b> |                      |                      |                      |                        |
| <b>Over Expenditures</b>               | <b>7,381,183</b>     | <b>1,186,200</b>     | <b>(2,203,983)</b>   | <b>(3,390,183)</b>     |
| <b>Other Financing Uses</b>            |                      |                      |                      |                        |
| Transfers out                          | (2,085,965)          | (2,330,352)          | (112,362)            | 2,217,990              |
| <b>NET CHANGE IN FUND BALANCES</b>     | <b>5,295,218</b>     | <b>(1,144,152)</b>   | <b>(2,316,345)</b>   | <b>(1,172,193)</b>     |
| <b>Fund Balance - Beginning</b>        | <b>13,376,608</b>    | <b>13,376,608</b>    | <b>13,376,608</b>    | <b>-</b>               |
| <b>Fund Balance - Ending</b>           | <b>\$ 18,671,826</b> | <b>\$ 12,232,456</b> | <b>\$ 11,060,263</b> | <b>\$ (1,172,193)</b>  |

<sup>1</sup> On behalf payments of \$3,219,306 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.

# LYNWOOD UNIFIED SCHOOL DISTRICT

## SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2015

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| Actuarial<br>Valuation<br>Date | Actuarial Value<br>of Assets (a) | Actuarial<br>Accrued<br>Liability<br>(AAL) -<br>Projected<br>Unit Credit (b) | Unfunded<br>AAL<br>(UAAL)<br>(b - a) | Funded Ratio<br>(a / b) | Covered<br>Payroll (c) | UAAL as a<br>Percentage of<br>Covered Payroll<br>((b - a) / c) |
|--------------------------------|----------------------------------|------------------------------------------------------------------------------|--------------------------------------|-------------------------|------------------------|----------------------------------------------------------------|
| July 1, 2008                   | \$ -                             | \$ 19,809,771                                                                | \$ 19,809,771                        | 0%                      | \$ 103,855,745         | 19%                                                            |
| 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%                                                            |

# LYNWOOD UNIFIED SCHOOL DISTRICT

## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2015

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|                                                                                                                       | <u>2015</u>                  |
|-----------------------------------------------------------------------------------------------------------------------|------------------------------|
| <b>CalSTRS</b>                                                                                                        |                              |
| District's proportion of the net pension liability (asset)                                                            | <u>0.1255%</u>               |
| District's proportionate share of the net pension liability (asset)                                                   | \$ 73,349,471                |
| State's proportionate share of the net pension liability (asset) associated with the District                         | <u>44,291,578</u>            |
| Total                                                                                                                 | <u><u>\$ 117,641,049</u></u> |
| District's covered - employee payroll                                                                                 | <u>\$ 55,906,461</u>         |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll | <u>131.20%</u>               |
| Plan fiduciary net position as a percentage of the total pension liability                                            | <u>77%</u>                   |
| <br><b>CalPERS</b>                                                                                                    |                              |
| District's proportion of the net pension liability (asset)                                                            | <u>0.2084%</u>               |
| District's proportionate share of the net pension liability (asset)                                                   | <u>\$ 23,663,277</u>         |
| District's covered - employee payroll                                                                                 | <u>\$ 21,885,070</u>         |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll | <u>108.13%</u>               |
| Plan fiduciary net position as a percentage of the total pension liability                                            | <u>83.38%</u>                |

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

# LYNWOOD UNIFIED SCHOOL DISTRICT

## SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2015

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|                                                                      | <u>2015</u>          |
|----------------------------------------------------------------------|----------------------|
| <b>CalSTRS</b>                                                       |                      |
| Contractually required contribution                                  | \$ 5,971,352         |
| Contributions in relation to the contractually required contribution | <u>5,971,352</u>     |
| Contribution deficiency (excess)                                     | <u>\$ -</u>          |
| District's covered - employee payroll                                | <u>\$ 67,244,955</u> |
| Contributions as a percentage of covered - employee payroll          | <u>8.88%</u>         |
| <br><b>CalPERS</b>                                                   |                      |
| Contractually required contribution                                  | \$ 2,871,044         |
| Contributions in relation to the contractually required contribution | <u>2,871,044</u>     |
| Contribution deficiency (excess)                                     | <u>\$ -</u>          |
| District's covered - employee payroll                                | <u>\$ 24,392,897</u> |
| Contributions as a percentage of covered - employee payroll          | <u>11.77%</u>        |

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

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***SUPPLEMENTARY INFORMATION***

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# LYNWOOD UNIFIED SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2015

| Federal Grantor/Pass-Through<br>Grantor/Program                                                         | CFDA<br>Number | Pass-Through<br>Entity<br>Identifying<br>Number | Program<br>Expenditures |
|---------------------------------------------------------------------------------------------------------|----------------|-------------------------------------------------|-------------------------|
| <b>U.S. DEPARTMENT OF EDUCATION</b>                                                                     |                |                                                 |                         |
| Passed through California Department of Education (CDE):                                                |                |                                                 |                         |
| Elementary and Secondary Education Act as amended by the<br>No Child Left Behind Act (NCLB)             |                |                                                 |                         |
| Title I, Part A - Basic Grants Low Income and Neglected                                                 | 84.010         | 14329                                           | \$ 4,508,618            |
| Title I, School Improvement Grant (SIG) for QEIA Schools                                                | 84.377         | 14971                                           | 2,800,125               |
| NCLB - Title I, Part C, Migrant Education - Regular                                                     | 84.011         | 14326                                           | 47,572                  |
| NCLB - Title I, Migrant Education Summer Program                                                        | 84.011         | 10005                                           | 96,954                  |
| Title II, Part A - Improving Teacher Quality Local Grants                                               | 84.367         | 14341                                           | 912,283                 |
| Title III - Limited English Proficient (LEP) Student Program                                            | 84.365         | 14346                                           | 757,037                 |
| Adult Education - Basic Grants to States Cluster:                                                       |                |                                                 |                         |
| Adult Basic Education - Adult Basic Education and ESL                                                   | 84.002A        | 14508                                           | 141,289                 |
| Adult Basic Education - Adult Secondary                                                                 | 84.002         | 13978                                           | 110,626                 |
| Adult Basic Education - English Literacy and Civics Education                                           | 84.002A        | 14109                                           | 83,254                  |
| Total Adult Education - Basic Grants to States<br>Cluster                                               |                |                                                 | <u>335,169</u>          |
| Carl D. Perkins- Vocational Ed Formula Grants Cluster:                                                  |                |                                                 |                         |
| Carl D. Perkins Vocational and Technical Education Act of<br>1998Technology Secondary II C, Section 131 | 84.048         | 14894                                           | 106,465                 |
| Carl D. Perkins Career and Technical Education: Adult,<br>Section 132                                   | 84.048         | 14893                                           | 7,727                   |
| Total Carl D. Perkins- Vocational Ed Formula<br>Grants Cluster                                          |                |                                                 | <u>114,192</u>          |
| Safe and Supportive Schools Programmatic Intervention (S3)                                              | 84.184         | 15164                                           | 99,393                  |
| Advanced Placement Program                                                                              | 84.330C        | [1]                                             | 58,782                  |
| Workability II, Transitions Partnership                                                                 | 84.126         | 10006                                           | 99,831                  |
| <b>U.S. DEPARTMENT OF EDUCATION</b>                                                                     |                |                                                 |                         |
| 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                                           | 1,770,314               |
| Preschool Grants, Part B, Section 619 (Age 3-4-5)                                                       | 84.173         | 13430                                           | 50,264                  |
| Preschool Local Entitlement, Part B, Section 611 (Age 3-4-5)                                            | 84.027A        | 13682                                           | 192,541                 |
| Preschool Staff Development, Part B, Section 619                                                        | 84.173A        | 13431                                           | 482                     |
| Mental Health Allocation Plan, Part B, Section 611                                                      | 84.027A        | 14468                                           | 178,285                 |
| Total Special Education (IDEA) Cluster                                                                  |                |                                                 | <u>2,191,886</u>        |
| Total U.S. Department of Education                                                                      |                |                                                 | <u>12,021,842</u>       |

[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, 2015

| Federal Grantor/Pass-Through<br>Grantor/Program                | CFDA<br>Number | Pass-Through<br>Entity<br>Identifying<br>Number | Program<br>Expenditures     |
|----------------------------------------------------------------|----------------|-------------------------------------------------|-----------------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                          |                |                                                 |                             |
| Passed through CDE:                                            |                |                                                 |                             |
| Child Nutrition Cluster:                                       |                |                                                 |                             |
| Especially Needy Breakfast                                     | 10.553         | 13526                                           | \$ 770,011                  |
| National School Lunch Program                                  | 10.555         | 13524                                           | 5,515,340                   |
| Meal Supplement                                                | 10.555         | 13396                                           | 184,385                     |
| Food Distribution                                              | 10.555         | 13524                                           | 549,784                     |
| Total Child Nutrition Cluster                                  |                |                                                 | <u>7,019,520</u>            |
| CCFP Claims - Centers and Family Day Care                      | 10.558         | 13393                                           | <u>109,743</u>              |
| Total U.S. Department of Agriculture                           |                |                                                 | <u><u>7,129,263</u></u>     |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>            |                |                                                 |                             |
| Passed through California Department of Health Services:       |                |                                                 |                             |
| Medi-Cal Billing Option                                        | 93.778         | 10013                                           | 144,149                     |
| Passed through Los Angeles County Office of Education (LACOE): |                |                                                 |                             |
| Child Development: Federal Child Care, Center-based            | 93.596         | 13609                                           | <u>226,854</u>              |
| Total U.S. Department of Health and Human<br>Services          |                |                                                 | <u>371,003</u>              |
| Total Federal Programs                                         |                |                                                 | <u><u>\$ 19,522,108</u></u> |

See accompanying note to supplementary information.

# LYNWOOD UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2015

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### 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, 2015

|                                                                           | Final Report                       |                  |
|---------------------------------------------------------------------------|------------------------------------|------------------|
|                                                                           | Revised<br>Second Period<br>Report | Annual<br>Report |
| Regular ADA                                                               |                                    |                  |
| Transitional kindergarten through third                                   | 4,520.79                           | 4,510.93         |
| Fourth through sixth                                                      | 3,285.25                           | 3,275.38         |
| Seventh and eighth                                                        | 2,030.17                           | 2,031.61         |
| Ninth through twelfth                                                     | 4,318.42                           | 4,304.39         |
| Total Regular ADA                                                         | 14,154.63                          | 14,122.31        |
| Extended Year Special Education                                           |                                    |                  |
| Transitional kindergarten through third                                   | 0.77                               | 0.77             |
| Fourth through sixth                                                      | 0.45                               | 0.45             |
| Seventh and eighth                                                        | 0.36                               | 0.36             |
| Ninth through twelfth                                                     | 0.32                               | 0.32             |
| Total Extended Year Special Education                                     | 1.90                               | 1.90             |
| Special Education, Nonpublic, Nonsectarian Schools                        |                                    |                  |
| Transitional kindergarten through third                                   | 1.05                               | 0.99             |
| Fourth through sixth                                                      | 3.51                               | 3.48             |
| Seventh and eighth                                                        | 0.11                               | 0.09             |
| Ninth through twelfth                                                     | 3.10                               | 2.68             |
| Total Special Education, Nonpublic,<br>Nonsectarian Schools               | 7.77                               | 7.24             |
| Extended Year Special Education,<br>Nonpublic, Nonsectarian Schools       |                                    |                  |
| Transitional kindergarten through third                                   | 0.18                               | 0.18             |
| Fourth through sixth                                                      | 0.74                               | 0.74             |
| Seventh and eighth                                                        | -                                  | -                |
| Ninth through twelfth                                                     | 1.09                               | 1.09             |
| Total Extended Year Special Education, Nonpublic,<br>Nonsectarian Schools | 2.01                               | 2.01             |
| Total ADA                                                                 | 14,166.31                          | 14,133.46        |

See accompanying note to supplementary information.

# LYNWOOD UNIFIED SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2015

| Grade Level   | 1986-87                | Reduced                           | 2014-15<br>Actual<br>Minutes | Number of Days          |                        | Status   |
|---------------|------------------------|-----------------------------------|------------------------------|-------------------------|------------------------|----------|
|               | Minutes<br>Requirement | 1986-87<br>Minutes<br>Requirement |                              | Traditional<br>Calendar | Multitrack<br>Calendar |          |
| Kindergarten  | 36,000                 | 35,000                            | 55,460                       | 180                     | N/A                    | Complied |
| Grades 1 - 3  | 50,400                 | 49,000                            |                              |                         |                        |          |
| Grade 1       |                        |                                   | 54,785                       | 180                     | N/A                    | Complied |
| Grade 2       |                        |                                   | 54,785                       | 180                     | N/A                    | Complied |
| Grade 3       |                        |                                   | 54,785                       | 180                     | N/A                    | Complied |
| Grades 4 - 6  | 54,000                 | 52,500                            |                              |                         |                        |          |
| Grade 4       |                        |                                   | 54,785                       | 180                     | N/A                    | Complied |
| Grade 5       |                        |                                   | 54,785                       | 180                     | N/A                    | Complied |
| Grade 6       |                        |                                   | 54,785                       | 180                     | N/A                    | Complied |
| Grades 7 - 8  | 54,000                 | 52,500                            |                              |                         |                        |          |
| Grade 7       |                        |                                   | 58,551                       | 180                     | N/A                    | Complied |
| Grade 8       |                        |                                   | 58,551                       | 180                     | N/A                    | Complied |
| Grades 9 - 12 | 64,800                 | 63,000                            |                              |                         |                        |          |
| Grade 9       |                        |                                   | 64,592                       | 180                     | N/A                    | Complied |
| Grade 10      |                        |                                   | 64,592                       | 180                     | N/A                    | Complied |
| Grade 11      |                        |                                   | 64,592                       | 180                     | N/A                    | Complied |
| Grade 12      |                        |                                   | 64,592                       | 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, 2015

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

|                                                         | General<br>Fund      | Cafeteria<br>Fund   | Capital<br>Facilities<br>Fund |
|---------------------------------------------------------|----------------------|---------------------|-------------------------------|
| FUND BALANCE                                            |                      |                     |                               |
| Balance, June 30, 2015,<br>Unaudited Actuals            | \$ 9,845,790         | \$ 3,150,288        | \$ 945,352                    |
| Decrease in:                                            |                      |                     |                               |
| Cash with fiscal agent                                  | -                    | -                   | (107,516)                     |
| Current loan                                            | 1,600,000            | -                   | -                             |
| Increase in:                                            |                      |                     |                               |
| Cash with fiscal agent                                  | 12,795               | -                   | -                             |
| Accounts receivable                                     | 1,851,447            | -                   | -                             |
| Due from other fund                                     | 519,239              | -                   | -                             |
| Accounts payable                                        | (2,769,008)          | (87,413)            | -                             |
| Balance, June 30, 2015,<br>Audited Financial Statements | <u>\$ 11,060,263</u> | <u>\$ 3,062,875</u> | <u>\$ 837,836</u>             |

See accompanying note to supplementary information.

# LYNWOOD UNIFIED SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

|                                                                   | (Budget)<br>2015 <sup>1</sup> | 2015           | 2014           | 2013           |
|-------------------------------------------------------------------|-------------------------------|----------------|----------------|----------------|
| GENERAL FUND <sup>4</sup>                                         |                               |                |                |                |
| Revenues                                                          | \$ 171,049,013                | \$ 154,329,629 | \$ 133,172,848 | \$ 124,717,495 |
| Other sources and transfers in                                    | -                             | -              | 262            | -              |
| Total Revenues<br>and Other Sources                               | 171,049,013                   | 154,329,629    | 133,173,110    | 124,717,495    |
| Expenditures                                                      | 156,546,571                   | 154,267,470    | 130,080,763    | 126,470,622    |
| Other uses and transfers out                                      | 2,559,517                     | 2,377,986      | 1,629,101      | 1,711,944      |
| Total Expenditures<br>and Other Uses                              | 159,106,088                   | 156,645,456    | 131,709,864    | 128,182,566    |
| INCREASE (DECREASE)<br>IN FUND BALANCE                            | \$ 11,942,925                 | \$ (2,315,827) | \$ 1,463,246   | \$ (3,465,071) |
| ENDING FUND BALANCE                                               | \$ 23,003,184                 | \$ 11,060,259  | \$ 13,376,086  | \$ 11,912,840  |
| AVAILABLE RESERVES <sup>2</sup>                                   | \$ 16,166,630                 | \$ 6,308,842   | \$ 8,982,893   | \$ 9,006,777   |
| AVAILABLE RESERVES AS A<br>PERCENTAGE OF TOTAL OUTGO <sup>3</sup> | 10.16%                        | 4.11%          | 7.00%          | 7.21%          |
| LONG-TERM OBLIGATIONS                                             | N/A                           | \$ 95,435,709  | \$ 90,179,605  | \$ 88,564,336  |
| K-12 AVERAGE DAILY<br>ATTENDANCE AT P-2                           | 14,330                        | 14,166         | 14,200         | 14,290         |

The General Fund balance has decreased by \$852,581 over the past two years. The fiscal year 2015-2016 budget projects an increase of \$11,942,925 (108 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years, but anticipates incurring an operating surplus during the 2015-2016 fiscal year. Total long-term obligations have increased by \$6,871,373 over the past two years.

Average daily attendance has decreased by 124 over the past two years. Growth of 164 ADA is anticipated during fiscal year 2015-2016.

<sup>1</sup> Budget 2016 is included for analytical purposes only and has not been subjected to audit.

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

<sup>3</sup> On behalf payments of \$3,219,306, \$3,381,147, and \$3,178,492, have been excluded from the calculation of available reserves the fiscal year ending June 30, 2015, 2014, and 2013, respectively.

<sup>4</sup> 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, 2015

|                                                | Child<br>Development<br>Fund | Cafeteria<br>Fund   | Capital<br>Facilities<br>Fund |
|------------------------------------------------|------------------------------|---------------------|-------------------------------|
| <b>ASSETS</b>                                  |                              |                     |                               |
| Deposits and investments                       | \$ 737,818                   | \$ 2,125,457        | \$ 833,395                    |
| Receivables                                    | 78,045                       | 1,748,735           | 2,680                         |
| Stores inventories                             | -                            | 64,564              | -                             |
| <b>Total Assets</b>                            | <b>\$ 815,863</b>            | <b>\$ 3,938,756</b> | <b>\$ 836,075</b>             |
| <b>LIABILITIES AND<br/>FUND BALANCES</b>       |                              |                     |                               |
| <b>Liabilities:</b>                            |                              |                     |                               |
| Accounts payable                               | \$ 289,646                   | \$ 642,805          | \$ 4,241                      |
| Due to other funds                             | 317,973                      | 20,410              | -                             |
| Due to other governments                       | 232                          | -                   | -                             |
| Unearned revenue                               | -                            | 212,666             | -                             |
| <b>Total Liabilities</b>                       | <b>607,851</b>               | <b>875,881</b>      | <b>4,241</b>                  |
| <b>Fund Balances:</b>                          |                              |                     |                               |
| Nonspendable                                   | -                            | 65,314              | -                             |
| Restricted                                     | 208,012                      | 2,714,091           | 831,834                       |
| Assigned                                       | -                            | 283,470             | -                             |
| <b>Total Fund Balances</b>                     | <b>208,012</b>               | <b>3,062,875</b>    | <b>831,834</b>                |
| <b>Total Liabilities and<br/>Fund Balances</b> | <b>\$ 815,863</b>            | <b>\$ 3,938,756</b> | <b>\$ 836,075</b>             |

See accompanying note to supplementary information.

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| <b>County School<br/>Facilities<br/>Fund</b> | <b>Bond Interest<br/>and Redemption<br/>Fund</b> | <b>Tax Override<br/>Fund</b> | <b>Total Non-Major<br/>Governmental<br/>Funds</b> |
|----------------------------------------------|--------------------------------------------------|------------------------------|---------------------------------------------------|
| \$ 2,255,589                                 | \$ 2,365,499                                     | \$ 5,712                     | \$ 8,323,470                                      |
| 11,145                                       | -                                                | 18                           | 1,840,623                                         |
| -                                            | -                                                | -                            | 64,564                                            |
| <u>\$ 2,266,734</u>                          | <u>\$ 2,365,499</u>                              | <u>\$ 5,730</u>              | <u>\$ 10,228,657</u>                              |

|               |          |          |                  |
|---------------|----------|----------|------------------|
| \$ 91,051     | \$ -     | \$ -     | \$ 1,027,743     |
| -             | -        | -        | 338,383          |
| -             | -        | -        | 232              |
| -             | -        | -        | 212,666          |
| <u>91,051</u> | <u>-</u> | <u>-</u> | <u>1,579,024</u> |

|                     |                     |                 |                      |
|---------------------|---------------------|-----------------|----------------------|
| -                   | -                   | -               | 65,314               |
| 1,818,549           | 2,365,499           | 5,730           | 7,943,715            |
| 357,134             | -                   | -               | 640,604              |
| <u>2,175,683</u>    | <u>2,365,499</u>    | <u>5,730</u>    | <u>8,649,633</u>     |
| <u>\$ 2,266,734</u> | <u>\$ 2,365,499</u> | <u>\$ 5,730</u> | <u>\$ 10,228,657</u> |

# LYNWOD UNIFIED SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2015

|                                                              | Child<br>Development<br>Fund | Cafeteria<br>Fund   | Capital<br>Facilities<br>Fund |
|--------------------------------------------------------------|------------------------------|---------------------|-------------------------------|
| <b>REVENUES</b>                                              |                              |                     |                               |
| Federal sources                                              | \$ 226,854                   | \$ 7,129,263        | \$ -                          |
| Other State sources                                          | 744,460                      | 520,066             | -                             |
| Other local sources                                          | 2,292,654                    | 296,707             | 45,747                        |
| <b>Total Revenues</b>                                        | <b>3,263,968</b>             | <b>7,946,036</b>    | <b>45,747</b>                 |
| <b>EXPENDITURES</b>                                          |                              |                     |                               |
| Current                                                      |                              |                     |                               |
| Instruction                                                  | 2,932,407                    | -                   | -                             |
| Instruction-related activities:                              |                              |                     |                               |
| Supervision of instruction                                   | 5,892                        | -                   | -                             |
| School site administration                                   | 342,446                      | -                   | -                             |
| Pupil services:                                              |                              |                     |                               |
| Food services                                                | -                            | 7,901,271           | -                             |
| All other pupil services                                     | 3,330                        | -                   | -                             |
| Administration:                                              |                              |                     |                               |
| All other administration                                     | 177,507                      | 398,362             | -                             |
| Plant services                                               | 76,949                       | -                   | 51,749                        |
| Facility acquisition and construction                        | -                            | -                   | -                             |
| Debt service                                                 |                              |                     |                               |
| Principal                                                    | -                            | -                   | -                             |
| Interest and other                                           | -                            | -                   | -                             |
| <b>Total Expenditures</b>                                    | <b>3,538,531</b>             | <b>8,299,633</b>    | <b>51,749</b>                 |
| <b>Excess (Deficiency) of<br/>Revenues Over Expenditures</b> | <b>(274,563)</b>             | <b>(353,597)</b>    | <b>(6,002)</b>                |
| <b>Other Financing Uses</b>                                  |                              |                     |                               |
| Transfers in                                                 | 112,362                      | -                   | -                             |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>(162,201)</b>             | <b>(353,597)</b>    | <b>(6,002)</b>                |
| <b>Fund Balances - Beginning</b>                             | <b>370,213</b>               | <b>3,416,472</b>    | <b>837,836</b>                |
| <b>Fund Balances - Ending</b>                                | <b>\$ 208,012</b>            | <b>\$ 3,062,875</b> | <b>\$ 831,834</b>             |

See accompanying note to supplementary information.

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| County School<br>Facilities<br>Fund | Bond Interest<br>and Redemption<br>Fund | Tax Override<br>Fund | Total Non-Major<br>Governmental<br>Funds |
|-------------------------------------|-----------------------------------------|----------------------|------------------------------------------|
| \$ -                                | \$ -                                    | \$ -                 | \$ 7,356,117                             |
| -                                   | -                                       | -                    | 1,264,526                                |
| 25,035                              | 2,703,220                               | 38                   | 5,363,401                                |
| 25,035                              | 2,703,220                               | 38                   | 13,984,044                               |
| -                                   | -                                       | -                    | 2,932,407                                |
| -                                   | -                                       | -                    | 5,892                                    |
| -                                   | -                                       | -                    | 342,446                                  |
| -                                   | -                                       | -                    | 7,901,271                                |
| -                                   | -                                       | -                    | 3,330                                    |
| -                                   | -                                       | -                    | 575,869                                  |
| -                                   | -                                       | -                    | 128,698                                  |
| 1,856,569                           | -                                       | -                    | 1,856,569                                |
| -                                   | 1,856,333                               | -                    | 1,856,333                                |
| -                                   | 1,868,245                               | -                    | 1,868,245                                |
| 1,856,569                           | 3,724,578                               | -                    | 17,471,060                               |
| (1,831,534)                         | (1,021,358)                             | 38                   | (3,487,016)                              |
| -                                   | -                                       | -                    | 112,362                                  |
| (1,831,534)                         | (1,021,358)                             | 38                   | (3,374,654)                              |
| 4,007,217                           | 3,386,857                               | 5,692                | 12,024,287                               |
| \$ 2,175,683                        | \$ 2,365,499                            | \$ 5,730             | \$ 8,649,633                             |

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# LYNWOOD UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

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### **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 the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

#### **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.

#### **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.

# **LYNWOOD UNIFIED SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015**

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### **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.

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***INDEPENDENT AUDITOR'S REPORTS***

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

Governing Board  
Lynwood Unified School District  
Lynwood, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lynwood Unified School District (the District) as of and for the year ended June 30, 2015, 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 15, 2015.

**Emphasis of Matter - Change in Accounting Principles**

As discussed in Notes 1 and 16 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 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 2015-001.

### **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 15, 2015.

### **Lynwood Unified School District's Response to Findings**

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

### **Purpose of This Report**

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

*Vannink, Tim, Day & Co., LLP*

Rancho Cucamonga, California  
December 15, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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 Circular A-133 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, 2015. 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 requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

### **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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Vannink, Tien, Day & Co., LLP*

Rancho Cucamonga, California  
December 15, 2015



## 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 *2014-2015 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, 2015.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's 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 *2014-2015 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***

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, 2015.

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:

|                                                                 | <u>Procedures Performed</u> |
|-----------------------------------------------------------------|-----------------------------|
| Attendance Accounting:                                          |                             |
| Attendance Reporting                                            | 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                         |
| Regional Occupational Centers or Programs Maintenance of Effort | No, see below               |
| Adult Education Maintenance of Effort                           | 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                         |
| Common Core Implementation Funds                                | Yes                         |
| Unduplicated Local Control Funding Formula Pupil Counts         | Yes                         |
| Local Control Accountability Plan                               | Yes                         |
| Charter Schools:                                                |                             |
| Contemporaneous Records of Attendance                           | No, see below               |
| Mode of Instruction                                             | No, see below               |
| Non Classroom-Based Instruction/Independent Study               | 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 does not offer an Early Retirement Incentive Program; 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 have any Regional Occupational Centers or Programs; therefore, we did not perform any procedures related to Regional Occupational Centers or Programs Maintenance of Effort.

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 have a Charter School program; therefore, we did not perform any procedures related to Charter School.

*Vannink, Tim, Day & Co., LLP*

Rancho Cucamonga, California

December 15, 2015

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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# LYNWOOD UNIFIED SCHOOL DISTRICT

## SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2015

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### 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<br>Section 510(a) of OMB Circular A-133? |                      |
| Identification of major Federal programs:                                                                                 | <u>No</u>            |

| <u>CFDA Numbers</u>   | <u>Name of Federal Program or Cluster</u>                              |
|-----------------------|------------------------------------------------------------------------|
| <u>84.365</u>         | <u>Title III, Limited English Proficient<br/>(LEP) Student Program</u> |
| <u>10.553, 10.555</u> | <u>Child Nutrition Cluster</u>                                         |
| <u>84.377</u>         | <u>NCLB - Title I, School Improvement<br/>Grant</u>                    |

|                                                                          |                   |
|--------------------------------------------------------------------------|-------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$ 585,663</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> |
|-------------------------------------------------------------|-------------------|

# LYNWOOD UNIFIED SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2015

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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            |

**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

# **LYNWOOD UNIFIED SCHOOL DISTRICT**

## **FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2015**

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### **Context**

The condition identified was determined based on the testing of payroll and personnel process as well as 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 inconsistency in the "Soft Time" system.

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

**LYNWOOD UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.

**LYNWOOD UNIFIED SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.

# LYNWOOD UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2015

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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.

### Financial Statement Findings

**2014-001      30000**

#### **Criteria or Specific Requirements**

Purchase Order Approval

#### **Condition**

During our review of the purchasing process, auditor noted 4 instances out of 40 disbursements tested where purchase orders were approved after the invoice date.

#### **Questioned Costs**

None

#### **Context**

The condition identified was determined based on the testing of a sample of disbursement transactions obtained as part of our review of the District's cash disbursement process.

#### **Effect**

Discrepancy with District's purchasing process.

#### **Cause**

The District has been aware of the situation and has been active in communicating with the various departments to ensure that the condition does not continue.

#### **Recommendation**

It is recommended that the various departments communicate the policies of the District as well as document the communication with the various departments that do not follow the purchasing cycle.

#### **Current Status**

Implemented.

# LYNWOOD UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2015

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2014-002    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.

### Effect

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

# **LYNWOOD UNIFIED SCHOOL DISTRICT**

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2015**

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### **Cause**

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

### **Recommendation**

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

### **Current Status**

Not implemented; see current year finding 2015-001.

### **Federal Awards Findings**

None reported.

### **State Awards Findings**

None reported.



Governing Board  
Lynwood Unified School District  
Lynwood, California

In planning and performing our audit of the basic financial statements of Lynwood Unified School District (the District) for the year ending June 30, 2015, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity 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 15, 2015, on the financial statements of Lynwood Unified School District.

### **2014-2015 Observations and Recommendations**

#### **Chavez Middle School**

##### **Associated Student Body – Revenue Potentials**

##### **Observation**

Revenue potential forms utilized at the school site do not contain the four major elements. Auditor noted that potential income is the only element within the revenue potentials. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

##### **Recommendation**

As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fund-raising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due and so forth. The revenue potential form used at the site should contain four major elements. These are:

1. Potential Income-This lists the selling price of the item multiplied by the number of items purchased to compute the total income that should be deposited from this fundraiser if all the items were sold and all the money was turned in. This element should also be utilized to track the cost of the items, check numbers used to purchase the items, and the purchase dates. This purchasing information is a good reference source for future sales and also tracks to cost so that profits can be determined.

2. Receipts/Fundraiser Deposits-This records all deposits turned in which are from funds generated from the sale. The receipt number issued to the advisor, date, and deposit amount should be logged. This is necessary to be able to recap the deposits of the sale and to trace these deposits to the appropriate accounts at the end of the sale to the appropriate accounts to ensure that all postings were correct.
3. Analysis-This section is used to compare the potential income as calculated in the Potential Income section to the actual funds raised as calculated in the Receipts/Fundraiser Deposits section. The difference between these two amounts should be documented and explained. The explanation can consist of merchandise not sold, merchandise lost or destroyed, or funds lost or stolen.

Recap-This section figures the net profit of the sale. Further fundraisers of this type can be planned or canceled depending on the information calculated in this section.

#### **Associated Student Body – Student Council Minutes**

##### **Observation**

The minutes of the Student Council meetings being performed but missing elements as suggested in the "Accounting Procedures for Student Organizations" manual.

##### **Recommendation**

The Department Accounting Procedures for Student Organizations' manual suggests that minutes be taken and filed which includes details of the meeting including budgeting procedures, fund raising discussions, and approval of expenditures. In addition, any motion which is presented and voted on must include the individual's name who presented the motion, the person who seconded it and the final vote on the motion among other elements indicated on the manual provides to the ASB Bookkeeper.

#### **Associated Student Body – Inventory**

##### **Observation**

The controls and procedures in place for the P.E. clothes physical inventory count are not sufficient to safeguard merchandise. Auditor noted that only one individual is performing the physical inventory count and review of the inventory count is not performed by another individual independent to the sales of the P.E. clothes.

##### **Recommendation**

At least semi-annually, students should take a physical inventory of all items in the student store and compare the physical number remaining to the calculated number remaining. Two students should count the inventory and record their counts on separate inventory forms. The students should then compare the two counts and recount any that do not agree.

## **Lynwood High School**

### **Site Cash Collections – Library**

#### **Observation**

The school site is not depositing funds to the District in a timely matter.

#### **Recommendation**

Site cash collections should be transmitted to the District Office on a regular basis. The frequency would depend on the amount on hand, but at least monthly.

### **Associated Student Body – Prohibited Expenditures**

#### **Observation**

During disbursement testing auditor noted expenditures, which may not generally be considered as an allowable expenditure by the Associated Student Body.

#### **Recommendation**

The associated student body should be aware of expenditures which may be considered gifts of public funds, responsibility of the district, or not directly promoting the general welfare, morale or educational experience of students.

### **Associated Student Body – Ticket Safeguards**

#### **Observation**

During the audit, auditor noted inadequate safeguards of ticket rolls. Auditor observed ticket rolls not secured and locked appropriately due to a broken lock.

#### **Recommendation**

The ticket rolls should remain locked and secured at all times when not in use. Tickets represent potential cash equivalents and the theft of them can result in revenue losses to the site.

### **Associated Student Body – Previously Graduated Class**

#### **Observation**

The student body accounts include numerous accounts for previously graduated classes.

### **Recommendation**

Educational Code Section 48930 refers to monies benefiting students of the site as Student Body funds. Since the graduated classes are no longer students of the District, any monies remaining in these accounts after graduation should be disbursed within the Associated Student Body accounts. The School Board should adopt a policy on how to disburse these funds.

#### **Associated Student Body – Inventory Controls**

### **Observation**

The controls and procedures in place for the student store physical inventory count are no sufficient to safeguard merchandise. Auditor noted that the Student Store Clerk is the only individual performing the physical inventory count and review of the inventory count is not performed by an individual independent to the operation of the student store.

### **Recommendation**

At least semi-annually, students should take a physical inventory of all items in the student store and compare the physical number remaining to the calculated number remaining. Two students should count the inventory and record their counts on separate inventory forms. The students should then compare the two counts and recount any that do not agree.

#### **Associated Student Body – Inventory Count**

### **Observation**

The Associated Student Body does not maintain an inventory for spirit wear purchased or sold, therefore no accountability exists for the inventory. In addition, auditor noted that the student store and P.E. clothes inventory were not performed at least semi-annually.

### **Recommendation**

According to the policies and procedures outlined in the "Accounting Procedures for Student Body Organizations", prepared by the California Department of Education, a physical inventory should be taken semi-annually under supervision of the student store advisor. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been lost or stolen. The June 30 inventory report would also be used in the preparation of the financial statements prepared for the Associated Student Body of the site. Inventory balance should also be included as part of the associated student body financial statements.

#### **Associated Student Body – Scholarships**

### **Observation**

In reviewing disbursements, Auditor noted several instances where scholarship checks were written out directly to the students.

### **Recommendation**

The District should be aware of expenditures which may be considered gifts of public funds, responsibility of the District, or not directly promoting the general welfare, morale or educational experience of students. Auditor provided ASB Bookkeeper and site Principal FCMAT pages 163 and 164 with guidance on handling scholarship. Auditor recommended that funds be kept separate from the general ASB in a trust account (Scholarships) and to pay the funds directly to the institution of higher learning and not the student.

### **Associated Student Body – Disbursements**

#### **Observation**

In reviewing the cash disbursement procedures at the site, we noted that one of the forty disbursements tested were missing pre-approval. Expenditures are being performed before the Student Council approves them.

#### **Recommendation**

Education code 48933 requires that ASB funds be spent with preapproval of three people: an employee or official of the school district designated by the governing board, the ASB advisor (must be a certificated employee), and a student representative of the ASB organization.

### **Associated Student Body – Revenue Potentials**

#### **Observation**

In reviewing fundraising activities, auditor noted that one of 7 fundraising activities tested was missing a revenue potential form.

#### **Recommendation**

A revenue potential form is a mechanism that can help with this task and account for a fund raiser's financial activity. This form serves as a sales plan that includes expected sales levels, sale prices per unit, expected cost, and net income; thus it assists with planning and budgeting. Because Education Code sections 48932 and 7062 require that the governing board approve fund-raising events, a revenue potential form can also be the document that is compiled and submitted to the board or board designee for approval. It can also serve as an internal control because most external auditing firms will indicate audit findings if some form of revenue reconciliation is not done for each fund-raiser. The form can also serve as the document to ensure that the site administrator is informed and approves of all fund-raising activity at the site. ASB Clerk was provided with FCMAT manual and given information at the time of the audit.

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

*Vannink, Tim, Day & Co., LLP*

Rancho Cucamonga, California  
December 15, 2015