

LYNWOOD UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2014

LYNWOOD UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board
Lynwood Unified School District
Lynwood, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lynwood Unified School District (the District) as of and for the year ended June 30, 2014, 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 *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-2014*, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Lynwood Unified School District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 13 and budgetary comparison and other postemployment benefit information on pages 58 and 59, 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 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 as previously referenced 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, 2014, 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.

Varrink, Tim, Day & Co., LLP

Rancho Cucamonga, California
December 15, 2014



LYNWOOD UNIFIED SCHOOL DISTRICT BUSINESS SERVICES DIVISION

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

This section of Lynwood Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2014, with comparative information from 2013. 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, 2014

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, 2014

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, 2014, the Restricted and Unrestricted General Fund reported a combined fund balance of approximately \$13.4 million, a increase of approximately \$1.5 million over last year's ending balance. A large portion of the increase was attributed to the spending down of prior year carryover.
- The total reported revenue in the General Fund was approximately \$129.7 million. The Local Control Funding Formula Cost of Living Adjustment was 1.565%. Compared to 2012-2013, the total revenues were approximately \$8.2 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 \$2.2 million higher compared to 2012-2013.
- As of June 30, 2014, the General Fund reported an unrestricted reserve for economic uncertainties approximately \$9.0 million.
- Continued declining enrollment which resulted in 14,200 ADA, a loss of 90 ADA from 2012-2013.

LYNWOOD UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$243,126,223 for the fiscal year ended June 30, 2014. Of this amount, \$(14,407,526) 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	
	2014	2013
Assets		
Current and other assets	\$ 61,965,412	87,001,196
Capital assets	288,171,296	268,616,905
Total Assets	<u>350,136,708</u>	<u>355,618,101</u>
Liabilities		
Current liabilities	16,830,880	34,404,834
Long-term obligations	90,179,605	88,830,109
Total Liabilities	<u>107,010,485</u>	<u>123,234,943</u>
Net Position		
Net investment in capital assets	242,098,762	239,477,239
Restricted	15,434,987	8,974,471
Unrestricted	(14,407,526)	(16,068,552)
Total Net Position	<u>\$ 243,126,223</u>	<u>\$ 232,383,158</u>

The \$(14,407,526) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net (deficit) position – the part of net position that can be used to finance day-to-day operations without constraints.

LYNWOOD UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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	
	2014	2013
Revenues		
Program Revenues:		
Charges for services	\$ 304,798	484,378
Operating grants and contributions	33,757,030	35,366,952
General Revenues:		
Federal and State aid	98,734,127	88,864,613
Property taxes	9,208,470	10,283,076
Other general revenues	21,782,796	3,990,630
Total Revenues	163,787,221	138,989,649
Expenses		
Instruction-related	101,800,973	100,685,073
Pupil services	14,656,435	15,756,541
General administration	9,568,067	10,051,821
Plant services	20,816,330	18,440,549
Other	6,202,351	6,075,723
Total Expenses	153,044,156	151,009,707
Change in Net Position	\$ 10,743,065	\$ (12,020,058)

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$153,044,156. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$9,208,470 because the cost was paid by those who benefited from the programs \$304,798 or by other governments and organizations who subsidized certain programs with grants and contributions of \$33,757,030. The remaining "public benefit" portion of our governmental activities was paid with \$98,734,127 in Federal and State aid and \$21,782,796 with other General Fund revenue sources such as interest and general entitlements.

LYNWOOD UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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	
	2014	2013	2014	2013
Instruction	\$ 84,809,546	84,831,897	\$ 67,610,972	69,031,371
Instruction-related activities	16,991,427	15,853,176	11,224,534	9,298,056
Pupil services	14,656,435	15,756,541	6,388,820	4,818,898
General administration	9,568,067	10,051,821	8,223,915	8,827,864
Plant services	20,816,330	18,440,549	20,540,061	18,250,255
Other	6,202,351	6,075,723	4,994,026	4,931,933
Total	\$ 153,044,156	\$ 151,009,707	\$ 118,982,328	\$ 115,158,377

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$33,942,259, which is an decrease of \$10,664,703 from last year (Table 4).

Table 4

	Balances and Activity			
	July 1, 2013	Revenues	Expenditures	June 30, 2014
General Fund	\$ 11,913,363	\$ 133,645,455	\$ 132,182,210	\$ 13,376,608
Building Fund	25,291,236	90,792	16,840,664	8,541,364
Non-Major Governmental Funds	7,402,363	30,098,273	25,476,349	12,024,287
Total	\$ 44,606,962	\$ 163,834,520	\$ 174,499,223	\$ 33,942,259

The primary reason for this decrease is our Building Fund. The fund balance in the Building Fund decreased \$16,749,872 to \$8,541,364. 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 2013. (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 58).

LYNWOOD UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had \$288,171,296 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 \$19,554,391, or 7.28 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2014	2013
Land	\$ 32,298,855	\$ 32,298,855
Construction in progress	26,233,483	4,417,325
Land improvements	3,166,681	1,480,696
Buildings and improvements	223,309,648	227,480,385
Equipment	3,162,629	2,939,644
Total	\$ 288,171,296	\$ 268,616,905

Long-Term Obligations

At June 30, 2014, the District had \$69,415,236 in general obligation bonds, bond anticipation notes and certificates of participation outstanding compared to \$70,331,164 on June 30, 2013, a decrease of 1.30 percent. Other obligations consisted of those items listed in Table 6 below.

Table 6

	Governmental Activities	
	2014	2013
General obligation bonds	\$ 34,930,288	\$ 35,351,216
Premium on bonds	1,255,734	1,345,429
Bond anticipation note	13,499,948	13,499,948
Certificates of participation	20,985,000	21,480,000
Compensated absences	1,677,426	1,659,453
PARS retirement	1,127,104	1,690,656
Claims Liabilities	7,817,000	7,503,269
OPEB obligation, net	6,637,105	6,300,138
Total	\$ 87,929,605	\$ 88,830,109

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, 2014

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 2013-2014 P-2 ADA of 14,198.
2. The local control funding formula is computed using Cost of Living Adjustment (COLA) of 0.85 percent and 29.56 percent of the GAP Funding in 2014-2015. Per student ADA funding, under LCFF, will be estimated at \$8,219.
3. The declining enrollment trend continues in Lynwood Unified School District and multi-year projections included the budget assume a drop of 150 and 20 ADA in the subsequent two fiscal year, respectively.

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 2013-2014.

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 are being realized on an annual basis. This means a loss in revenue of over a half million dollars each year. The district is taking budgetary measures to offset the lost revenue due to declining enrollment, however, this is the biggest ongoing challenge facing the district.

LYNWOOD UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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 Assistant Superintendent, Business Services, at Lynwood Unified School District, 11321 Bullis Rd., Lynwood, California 90262, or e-mail at pwong@lynwood.k12.ca.us.

LYNWOOD UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2014

	Governmental Activities
ASSETS	
Deposits and investments	\$ 36,171,847
Receivables	24,717,996
Prepaid expenses	47,070
Stores inventories	325,302
Other current assets	703,197
Capital assets	
Land and construction in process	58,532,338
Other capital assets	371,818,051
Less: Accumulated depreciation	<u>(142,179,093)</u>
Total Capital Assets	<u>288,171,296</u>
Total Assets	<u>350,136,708</u>
LIABILITIES	
Accounts payable	16,030,177
Interest payable	526,145
Unearned revenue	274,558
Claims liability	2,250,000
Long-term obligations	
Current portion of long-term obligations	16,799,625
Noncurrent portion of long-term obligations	<u>71,129,980</u>
Total Long-Term Obligations	<u>87,929,605</u>
Total Liabilities	<u>107,010,485</u>
NET POSITION	
Net investment in capital assets	242,098,762
Restricted for:	
Debt service	2,860,712
Capital projects	4,845,053
Educational programs	3,942,537
Other restrictions	3,786,685
Unrestricted	<u>(14,407,526)</u>
Total Net Position	<u><u>\$ 243,126,223</u></u>

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

LYNWOD UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 84,809,546	\$ 59,184	\$ 17,139,390	\$ (67,610,972)
Instruction-related activities:				
Supervision of instruction	5,885,345	193	3,848,464	(2,036,688)
Instructional library, media, and technology	617,341	-	276,939	(340,402)
School site administration	10,488,741	11,722	1,629,575	(8,847,444)
Pupil services:				
Home-to-school transportation	1,234,119	-	-	(1,234,119)
Food services	7,750,341	216,731	6,910,564	(623,046)
All other pupil services	5,671,975	106	1,140,214	(4,531,655)
Administration:				
Data processing	1,807,310	-	98,309	(1,709,001)
All other administration	7,760,757	11,425	1,234,418	(6,514,914)
Plant services	20,816,330	5,437	270,832	(20,540,061)
Ancillary services	214,113	-	-	(214,113)
Community services	654,013	-	310,959	(343,054)
Interest on long-term obligations	2,163,624	-	-	(2,163,624)
Other outgo	3,170,601	-	897,366	(2,273,235)
Total Governmental Activities	\$ 153,044,156	\$ 304,798	\$ 33,757,030	(118,982,328)
General revenues and subventions:				
Property taxes, levied for general purposes				6,041,655
Property taxes, levied for debt service				3,036,167
Taxes levied for other specific purposes				130,648
Federal and State aid not restricted to specific purposes				98,734,127
Interest and investment earnings				283,048
Miscellaneous				21,499,748
Subtotal, General Revenues				129,725,393
Change in Net Position				10,743,065
Net Position - Beginning				232,383,158
Net Position - Ending				\$ 243,126,223

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

LYNWOOD UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2014

	General Fund	Building Funds	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 2,944,460	\$ 9,842,754	\$ 11,572,541	\$ 24,359,755
Receivables	22,852,901	38,341	1,792,085	24,683,327
Prepaid expenditures	47,070	-	-	47,070
Stores inventories	260,738	-	64,564	325,302
Other current assets	703,197	-	-	703,197
Total Assets	\$ 26,808,366	\$ 9,881,095	\$ 13,429,190	\$ 50,118,651
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 13,369,866	\$ 1,339,731	\$ 1,192,237	\$ 15,901,834
Unearned revenue	61,892	-	212,666	274,558
Total Liabilities	13,431,758	1,339,731	1,404,903	16,176,392
Fund Balances:				
Nonspendable	357,808	-	65,066	422,874
Restricted	3,942,537	8,382,146	11,690,634	24,015,317
Assigned	93,370	159,218	268,587	521,175
Unassigned	8,982,893	-	-	8,982,893
Total Fund Balances	13,376,608	8,541,364	12,024,287	33,942,259
Total Liabilities and Fund Balances	\$ 26,808,366	\$ 9,881,095	\$ 13,429,190	\$ 50,118,651

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, 2014

Total Fund Balance - Governmental Funds		\$ 33,942,259
Amounts Reported for Governmental Activities in the Statement of Net Position is Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is:	\$ 430,350,389	
Accumulated depreciation is:	<u>(142,179,093)</u>	
Net Capital Assets		288,171,296
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(526,145)
An internal service fund is used by the District's management to charge the costs of the health and welfare benefits and workers' compensation program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities. Internal Service Fund net assets are:		1,651,418
Long-term obligations, including general obligation bonds, certificates of participation, capital lease obligations, compensated absences, and postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	34,930,288	
Premium on issuance, net of amortization	1,255,734	
Bond anticipation note	13,499,948	
Certificates of participation	20,985,000	
Compensated absences - accumulated vacation	1,677,426	
PARS retirement	1,127,104	
Net OPEB obligation	<u>6,637,105</u>	
Total Long-Term Obligations		<u>(80,112,605)</u>
Total Net Position - Governmental Activities		<u><u>\$ 243,126,223</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, 2014

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula	\$ 102,253,548	\$ -	\$ -	\$ 102,253,548
Federal sources	12,118,720	-	6,929,985	19,048,705
Other State sources	11,863,994	-	17,079,079	28,943,073
Other local sources	7,409,193	90,792	5,976,847	13,476,832
Total Revenues	133,645,455	90,792	29,985,911	163,722,158
EXPENDITURES				
Current				
Instruction	76,301,603	-	2,687,470	78,989,073
Instruction-related activities:				
Supervision of instruction	5,884,407	-	938	5,885,345
Instructional library, media and technology	617,341	-	-	617,341
School site administration	10,018,914	-	272,750	10,291,664
Pupil services:				
Home-to-school transportation	1,234,119	-	-	1,234,119
Food services	13,972	-	7,393,309	7,407,281
All other pupil services	5,668,728	-	3,247	5,671,975
Administration:				
Data processing	1,807,310	-	-	1,807,310
All other administration	6,966,600	-	519,310	7,485,910
Plant services	17,682,962	-	71,145	17,754,107
Facility acquisition and construction	201,050	16,840,664	12,574,771	29,616,485
Ancillary services	214,113	-	-	214,113
Community services	654,013	-	-	654,013
Other outgo	3,170,601	-	-	3,170,601
Debt service				
Principal	495,000	-	655,000	1,150,000
Interest and other	1,139,115	-	1,298,409	2,437,524
Total Expenditures	132,069,848	16,840,664	25,476,349	174,386,861
Excess (Deficiency) of Revenues Over Expenditures	1,575,607	(16,749,872)	4,509,562	(10,664,703)
Other Financing Sources (Uses)				
Transfers in	-	-	112,362	112,362
Transfers out	(112,362)	-	-	(112,362)
Net Financing Sources (Uses)	(112,362)	-	112,362	-
NET CHANGE IN FUND BALANCES	1,463,245	(16,749,872)	4,621,924	(10,664,703)
Fund Balances - Beginning	11,913,363	25,291,236	7,402,363	44,606,962
Fund Balances - Ending	\$ 13,376,608	\$ 8,541,364	\$ 12,024,287	\$ 33,942,259

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, 2014

Total Net Change in Fund Balances - Governmental Funds \$ (10,664,703)

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

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

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

Capital outlays	\$ 26,853,538	
Depreciation expense	<u>(7,299,147)</u>	
Net Expense Adjustment		19,554,391

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits used were more than amounts earned by \$563,552. Vacation used was less than amounts earned by \$17,973.

545,579

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 \$336,967.

(336,967)

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:

Amortization of debt premium		89,695
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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	655,000	
Certificates of participation	<u>495,000</u>	
Combined Adjustment		1,150,000

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, 2014

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 \$418,277, and second, \$234,072 of additional accumulated interest was accreted on the Districts' "capital appreciation" general obligation bonds.

\$ 184,205

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.

220,865

Change in Net Position of Governmental Activities

\$ 10,743,065

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

LYNWOOD UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2014

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 11,812,092
Receivables	34,669
Total Current Assets	<u>11,846,761</u>
LIABILITIES	
Current Liabilities	
Accounts payable	128,343
Claims liability	2,250,000
Total Current Liabilities	<u>2,378,343</u>
Noncurrent Liabilities	
Long-term claims liability	7,817,000
Total Liabilities	<u>10,195,343</u>
NET POSITION	
Restricted	1,651,418
Total Net Position	<u><u>\$ 1,651,418</u></u>

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

LYNWOOD UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges to other funds and miscellaneous revenues	<u>\$ 3,220,914</u>
OPERATING EXPENSES	
Payroll costs	101,484
Professional and contract services	2,961,368
Supplies and materials	<u>2,260</u>
Total Operating Expenses	<u>3,065,112</u>
Operating Income	<u>155,802</u>
NONOPERATING REVENUES	
Interest income	<u>65,063</u>
Change in Net Position	220,865
Total Net Position - Beginning	<u>1,430,553</u>
Total Net Position - Ending	<u><u>\$ 1,651,418</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, 2014

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 3,220,914
Cash payments to suppliers for goods and services	(3,038,692)
Cash payments for administrative expense	(101,484)
Net Cash Provided by Operating Activities	<u>80,738</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>43,544</u>
Net Increase in Cash and Cash Equivalents	124,282
Cash and Cash Equivalents - Beginning	11,687,810
Cash and Cash Equivalents - Ending	<u><u>\$ 11,812,092</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 155,802
Changes in assets and liabilities:	
Accounts payable	15,186
Claims liabilities	(90,250)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 80,738</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, 2014

	Associated Student Bodies	Foundation Private-Purpose Trust Fund	Total Fiduciary Funds
ASSETS			
Deposits and investments	\$ 659,272	\$ 23,656	\$ 682,928
Receivables	-	530	530
Stores inventories	82,212	-	82,212
Total Assets	\$ 741,484	24,186	765,670
LIABILITIES			
Accounts payable	\$ -	1,750	1,750
Due to student groups	741,484	-	741,484
Total Liabilities	\$ 741,484	1,750	743,234
NET POSITION			
Held in trust for scholarships		20,146	20,146
Total Net Position		\$ 20,146	\$ 20,146

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, 2014

	Foundation Private-Purpose Trust Fund
ADDITIONS	
Interest	<u>\$ 146</u>
DEDUCTIONS	
Other expenditures	<u>1,550</u>
Change in Net Position	(1,404)
Net Position - Beginning	<u>21,550</u>
Net Position - Ending	<u><u>\$ 20,146</u></u>

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

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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.

Other Related Entities

Charter School The District has approved a charter for Kaplan Academy of Southern California Charter School pursuant to *Education Code* Section 47605. The Kaplan Academy of Southern California Charter School is operated outside of the District by California Virtual Education Partners and not considered a component unit of the District. The District receives revenue on behalf of the charter school which it passes on to Kaplan Academy of Southern California Charter School. This activity is accounted for in the General Fund.

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.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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 \$349,200, \$520, \$472,607 and \$1,989,085, respectively.

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).

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

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

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

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

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.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

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

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.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

Investments

Investments held at June 30, 2014, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Prepaid Expenditures

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

Stores Inventories

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

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.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

Accrued Liabilities and Long-Term Obligations

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

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

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.

Current Loans

Current loans consist of amounts outstanding at June 30, 2014, for Tax Revenue and Anticipation Notes. The notes were issued as short-term obligations to provide cash flow needs. This liability is offset with cash deposits in the County treasurer or a trustee, which have been set aside to repay the notes.

Fund Balances - Governmental Funds

As of June 30, 2014, fund balances of the governmental funds are classified as follows:

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

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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, 2014. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$15,434,987 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, 2014

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

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

Property Tax

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

Change in Accounting Principles

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The District has implemented the provisions of this Statement for the year ended June 30, 2014.

The implementing of GASB Statement No. 65 had no effect to the net position of the District .

New Accounting Pronouncements

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.

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.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

- 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.

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.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

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.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 36,171,847
Fiduciary funds	682,928
Total Deposits and Investments	<u>\$ 36,854,775</u>

Deposits and investments as of June 30, 2014, consisted of the following:

Cash on hand and in banks	\$ 1,011,899
Cash in revolving	50,503
Investments	35,792,373
Total Deposits and Investments	<u>\$ 36,854,775</u>

Policies and Practices

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

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

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

General Authorizations

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

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

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

Interest Rate Risk

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

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Fair Value	Weighted-Average Maturity in Days
Los Angeles County Investment Pool	<u>\$ 35,634,887</u>	741

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, 2014.

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, 2014, the District's bank balance of \$1,507,460 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, 2014

NOTE 3 - RECEIVABLES

Receivables at June 30, 2014, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Fiduciary Fund
Federal Government						
Categorical aid	\$ 3,869,317	\$ -	\$ 1,600,584	\$ -	\$ 5,469,901	\$ -
State Government						
State principal apportionment	16,249,053	-	-	-	16,249,053	-
Categorical aid	904,935	-	116,680	-	1,021,615	-
Lottery	989,391	-	-	-	989,391	-
Local Government						
Interest	47,573	38,341	31,534	34,669	152,117	80
Other Local Sources	792,632	-	43,287	-	835,919	450
Total	<u>\$ 22,852,901</u>	<u>\$ 38,341</u>	<u>\$ 1,792,085</u>	<u>\$ 34,669</u>	<u>\$ 24,717,996</u>	<u>\$ 530</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 32,298,855	\$ -	\$ -	\$ 32,298,855
Construction in progress	4,417,325	21,816,158	-	26,233,483
Total Capital Assets Not Being Depreciated	36,716,180	21,816,158	-	58,532,338
Capital Assets Being Depreciated				
Land improvements	3,882,575	1,838,986	-	5,721,561
Buildings and improvements	353,606,207	2,718,447	-	356,324,654
Furniture and equipment	9,291,889	479,947	-	9,771,836
Total Capital Assets Being Depreciated	366,780,671	5,037,380	-	371,818,051
Total Capital Assets	403,496,851	26,853,538	-	430,350,389
Less Accumulated Depreciation				
Land improvements	2,401,879	153,001	-	2,554,880
Buildings and improvements	126,125,822	6,889,184	-	133,015,006
Furniture and equipment	6,352,245	256,962	-	6,609,207
Total Accumulated Depreciation	134,879,946	7,299,147	-	142,179,093
Governmental Activities Capital Assets, Net	\$ 268,616,905	\$ 19,554,391	\$ -	\$ 288,171,296

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

Governmental Activities	
Instruction	\$ 6,029,085
School site administration	197,077
Food services	343,060
All other administration	430,649
Plant services	299,276
Total Depreciation Expenses Governmental Activities	<u>\$ 7,299,147</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 5 - INTERFUND TRANSACTIONS

Operating Transfers

Interfund transfers for the year ended June 30, 2014, consisted of the following:

Transfer To	Transfer From General Fund
Non-Major Governmental Funds	\$ 112,362

The General Fund transferred to the Child Development Non-Major Governmental 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.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2014, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activity
Vendor payables	\$ 6,906,165	\$ 5,047	\$ 410,899	\$ 128,343	\$ 7,450,454
State principal apportionment	649,184	-	-	-	649,184
Salaries and benefits	5,814,517	-	690,286	-	6,504,803
Construction	-	1,334,684	91,052	-	1,425,736
Total	\$ 13,369,866	\$ 1,339,731	\$ 1,192,237	\$ 128,343	\$ 16,030,177

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2014, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activity
Federal financial assistance	\$ 57,586	\$ 212,666	\$ 270,252
State categorical aid	4,306	-	4,306
Total	<u>\$ 61,892</u>	<u>\$ 212,666</u>	<u>\$ 274,558</u>

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

On February 2, 2012, the District issued \$14,896,262 in Tax and Revenue Anticipation Notes. The notes were issued to supplement cash flows. Interest and principal were due and payable on October 1, 2013. As of June 30, 2014, the District had no remaining balance in relation to the TRANS.

Changes in the outstanding liabilities for the Tax and Revenue Anticipation Notes are as follows:

Issue Date	Rate	Maturity Date	Outstanding July 1, 2013	Additions	Payments	Outstanding June 30, 2014
2/20/2012	2.00%	10/1/2013	<u>\$ 14,896,262</u>	<u>\$ -</u>	<u>\$ 14,896,262</u>	<u>\$ -</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due in One Year
General obligation bonds	\$ 35,351,216	\$ 234,072	\$ 655,000	\$ 34,930,288	\$ 2,226,125
Premium on bonds	1,345,429	-	89,695	1,255,734	-
Bond anticipation note	13,499,948	-	-	13,499,948	13,499,948
Certificates of participation	21,480,000	-	495,000	20,985,000	510,000
Compensated absences	1,659,453	17,973	-	1,677,426	-
PARS retirement	1,690,656	-	563,552	1,127,104	563,552
Claims Liabilities	7,503,269	313,731	-	7,817,000	-
OPEB obligation, net	6,300,138	1,189,394	852,427	6,637,105	-
	<u>\$ 88,830,109</u>	<u>\$ 1,755,170</u>	<u>\$ 2,655,674</u>	<u>\$ 87,929,605</u>	<u>\$ 16,799,625</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 Accumulated Vacation 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.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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, 2014, the principal balance outstanding was \$3,810,288.

The bonds mature through 2028 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Interest to Maturity	Total
2015	\$ 696,125	\$ 3,875	\$ 700,000
2016	698,097	51,903	750,000
2017	696,811	103,189	800,000
2018	692,811	157,189	850,000
2026-2028	1,026,444	1,173,556	2,200,000
Total	<u>\$ 3,810,288</u>	<u>\$ 1,489,712</u>	<u>\$ 5,300,000</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, 2014, the principal balance outstanding was \$14,620,000.

The bonds mature through 2028 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2015	\$ 30,000	\$ 624,763	\$ 654,763
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
2020-2025	6,165,000	2,519,656	8,684,656
2026-2028	7,375,000	794,413	8,169,413
Total	<u>\$ 14,620,000</u>	<u>\$ 6,418,184</u>	<u>\$ 21,038,184</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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, 2028, 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, 2014, the principal balance outstanding was \$16,500,000.

The bonds mature through 2039 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2015	\$ 1,500,000	\$ 681,675	\$ 2,181,675
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
2020-2025	1,950,000	2,946,375	4,896,375
2026-2031	2,745,000	2,497,500	5,242,500
2032-2037	3,705,000	1,864,000	5,569,000
2038-2039	5,135,000	802,750	5,937,750
Total	<u>\$ 16,500,000</u>	<u>\$ 11,339,150</u>	<u>\$ 27,839,150</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, 2014, the remaining balance was \$13,499,948.

Certificates of Participation Summary

The outstanding certificates of participation are as follows:

Issue Date	Maturity Date	Original Issue	COP Outstanding July 1, 2013	Issued	Redeemed	COP Outstanding June 30, 2014
7/10/07	2038	\$ 19,430,000	\$ 17,620,000	\$ -	\$ 405,000	\$ 17,215,000
7/10/07	2038	4,260,000	3,860,000	-	90,000	3,770,000
		<u>\$ 23,690,000</u>	<u>\$ 21,480,000</u>	<u>\$ -</u>	<u>\$ 495,000</u>	<u>\$ 20,985,000</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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, 2014, the principal balance outstanding was \$17,215,000.

The certificates mature through 2038 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ 420,000	\$ 774,521	\$ 1,194,521
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
2020-2025	2,800,000	3,163,550	5,963,550
2026-2031	3,460,000	2,492,976	5,952,976
2032-2037	4,330,000	1,611,650	5,941,650
2038	4,315,000	445,625	4,760,625
Total	<u>\$ 17,215,000</u>	<u>\$ 11,401,944</u>	<u>\$ 28,616,944</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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, 2014, the principal balance outstanding was \$3,770,000.

The certificates mature through 2038 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ 90,000	\$ 183,625	\$ 273,625
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
2020-2025	615,000	742,125	1,357,125
2026-2031	760,000	570,750	1,330,750
2032-2037	945,000	358,125	1,303,125
2038	945,000	97,875	1,042,875
Total	<u>\$ 3,770,000</u>	<u>\$ 2,644,407</u>	<u>\$ 6,414,407</u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2014, amounted to \$1,677,426.

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 51 employees participating in this plan and the District's obligation to those retirees as of June 30, 2014, is \$1,127,104.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

Future payments are as follows:

Year Ending June 30,	Amount
2015	\$ 563,552
2016	563,552
Total	<u>\$ 1,127,104</u>

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2014, was \$1,264,704, and contributions made by the District during the year were \$852,427. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$315,007 and \$(390,317), respectively, which resulted in an increase to the net OPEB obligation of \$336,967. As of June 30, 2014, the net OPEB obligation was \$6,637,105. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 50,000	\$ -	\$ 502	\$ 50,502
Stores inventories	260,738	-	64,564	325,302
Prepaid expenditures	47,070	-	-	47,070
Total Nonspendable	<u>357,808</u>	<u>-</u>	<u>65,066</u>	<u>422,874</u>
Restricted				
Legally restricted programs	3,942,537	-	3,453,032	7,395,569
Capital projects	-	8,382,146	4,845,053	13,227,199
Debt services	-	-	3,392,549	3,392,549
Total Restricted	<u>3,942,537</u>	<u>8,382,146</u>	<u>11,690,634</u>	<u>24,015,317</u>
Assigned				
Other assignments	<u>93,370</u>	<u>159,218</u>	<u>268,587</u>	<u>521,175</u>
Unassigned				
Economic uncertainties	8,982,893	-	-	8,982,893
Total	<u>\$ 13,376,608</u>	<u>\$ 8,541,364</u>	<u>\$ 12,024,287</u>	<u>\$ 33,942,259</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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 2013-2014, the District contributed \$852,427 to the Plan all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 1,264,704
Interest on net OPEB obligation	315,007
Adjustment to annual required contribution	(390,317)
Annual OPEB cost (expense)	1,189,394
Contributions made	(852,427)
Increase in net OPEB obligation	336,967
Net OPEB obligation, beginning of year	6,300,138
Net OPEB obligation, end of year	<u><u>\$ 6,637,105</u></u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
2012	\$ 2,586,681	\$ 1,485,490	57.43%	\$ 6,027,266
2013	1,256,568	983,696	78.28%	6,300,138
2014	1,189,394	852,427	71.67%	6,637,105

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 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.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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, 2014, was 24 years.

NOTE 12 - RISK MANAGEMENT

Description

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

Claims Liabilities

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

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2012 to June 30, 2014:

	Workers' Compensation
Liability Balance, July 1, 2012	\$ 11,109,356
Claims provision	1,425,273
Claims paid	(2,377,379)
Liability Balance, June 30, 2013	10,157,250
Claims provision	2,566,637
Claims paid	(2,656,887)
Liability Balance, June 30, 2014	<u>\$ 10,067,000</u>
Amount available to pay claims	<u>\$ 11,846,761</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

The District contributes to the CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, CA 95605.

Funding Policy

Due to the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$4,594,341, \$4,619,857, and \$4,728,843, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under the CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Funding Policy

As a result of the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-2014 was 11.442 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$2,495,715, \$2,515,065, and \$2,332,635, respectively, and equal 100 percent of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$3,381,147 (5.541 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, 2014.

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, 2014.

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014, the District made payments of \$67,201 and \$49,113 to ASCIP and SELF, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

LYNWOOD UNIFIED SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variances -
	Original	Final	(GAAP Basis)	Positive (Negative) Final to Actual
REVENUES				
Local Control Funding Formula	\$ 80,495,471	\$ 101,736,991	\$ 102,253,548	\$ 516,557
Federal sources	12,102,202	14,326,935	12,118,720	(2,208,215)
Other State sources	23,735,935	9,875,600	11,863,994	1,988,394
Other local sources	6,343,792	6,899,766	7,409,193	509,427
Total Revenues ¹	122,677,400	132,839,292	133,645,455	806,163
EXPENDITURES				
Current				
Certificated salaries	54,148,150	57,104,499	56,438,507	665,992
Classified salaries	20,403,754	20,793,482	21,589,656	(796,174)
Employee benefits	23,661,011	24,034,807	27,141,017	(3,106,210)
Books and supplies	3,610,036	6,619,608	4,468,949	2,150,659
Services and operating expenditures	16,139,432	19,351,081	17,346,416	2,004,665
Capital outlay	85,000	1,170,851	439,000	731,851
Other outgo	3,076,164	1,847,047	3,012,188	(1,165,141)
Debt service				
Principal	-	495,000	495,000	-
Interest	-	2,229,117	1,139,115	1,090,002
Total Expenditures ¹	121,123,547	133,645,492	132,069,848	1,575,644
Excess (Deficiency) of Revenues				
Over Expenditures	1,553,853	(806,200)	1,575,607	2,381,807
Other Financing Uses				
Transfers out	(2,187,260)	(2,229,117)	(112,362)	2,116,755
NET CHANGE IN FUND BALANCES	(633,407)	(3,035,317)	1,463,245	4,498,562
Fund Balance - Beginning	11,913,363	11,913,363	11,913,363	-
Fund Balance - Ending	\$ 11,279,956	\$ 8,878,046	\$ 13,376,608	\$ 4,498,562

¹ On behalf payments of \$3,381,147 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, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 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%

SUPPLEMENTARY INFORMATION

LYNWOOD UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Elementary and Secondary Education Act as amended by the No Child Left Behind Act (NCLB)			
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14329	\$ 4,715,029
Title I, School Improvement Grant (SIG) for QEIA Schools	84.377	14971	2,608,519
Title I, Part C - Migrant Education (Regular and Summer Program)	84.011	14326	85,256
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	815,490
Title III - Limited English Proficient (LEP) Student Program	84.365	14346	289,368
Adult Education - Basic Grants to States Cluster:			
Adult Basic Education - Adult Basic Education and ESL	84.002A	14508	158,946
Adult Basic Education - Adult Secondary	84.002	13978	93,208
Adult Basic Education - English Literacy and Civics Education	84.002A	14109	106,036
Total Adult Education - Basic Grants to States Cluster			<u>358,190</u>
Carl D. Perkins- Vocational Ed Formula Grants Cluster:			
Carl D. Perkins Vocational and Technical Education Act of 1998 Secondary Education	84.048	14894	106,621
Carl D. Perkins Career and Technical Education: Adult, Section 132	84.048	14893	17,138
Total Carl D. Perkins- Vocational Ed Formula Grants Cluster			<u>123,759</u>
Safe and Supportive Schools Programmatic Intervention (S3)	84.184	15164	144,553
Advanced Placement Program	84.330C	[1]	186,838
U.S. DEPARTMENT OF EDUCATION			
Passed through Los Angeles County Special Education Local Plan Area:			
Individuals with Disabilities Act (IDEA)			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,927,976
Local Assistance, Part B, Section 611, Private School ISPs	84.027	10115	6,706
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	45,897
Preschool Local Entitlement, Part B, Section 611 (Age 3-4-5)	84.027A	13682	179,713
Preschool Staff Development, Part B, Section 619	84.173A	13431	1,022
Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	171,628
Total Special Education (IDEA) Cluster			<u>2,332,942</u>
Total U.S. Department of Education			<u>11,659,944</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, 2014

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
Especially Needy Breakfast	10.553	13526	\$ 704,539
National School Lunch Program	10.555	13524	5,314,379
Meal Supplement	10.555	13396	181,585
Food Distribution	10.555	13524	405,321
Total Child Nutrition Cluster			<u>6,605,824</u>
CCFP Claims - Centers and Family Day Care	10.558	13393	101,210
Farm to School Grant	10.575	[1]	442
Total U.S. Department of Agriculture			<u>6,707,476</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medi-Cal Billing Option	93.778	10013	86,439
Passed through Los Angeles County Office of Education (LACOE):			
Child Development: Federal Child Care, Center-based	93.596	13609	<u>222,509</u>
Total U.S. Department of Health and Human Services			<u>308,948</u>
U.S. DEPARTMENT OF REHABILITATION			
Passed through California Department of Rehabilitation:			
Workability II, Transitions Partnership	84.158	10006	<u>79,169</u>
Total U.S. Department of Rehabilitation			<u>79,169</u>
Total Federal Programs			<u>\$ 18,755,537</u>

[1] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

LYNWOOD UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2014

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>
Briseida Gonzalez, MSW	President	November 2015
Alfonso Morales, Esq.	Vice President	November 2017
Maria G. Lopez	Clerk	November 2017
Alma Delia Renteria	Member	November 2015
Gary Hardie Jr.	Member	November 2015

ADMINISTRATION

Paul Gothold	Superintendent
Peter Wong	Chief Business Official

See accompanying note to supplementary information.

LYNWOOD UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2014

	Final Report	
	Revised Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	4,573.84	4,559.54
Fourth through sixth	3,240.42	3,224.33
Seventh and eighth	2,129.04	2,130.24
Ninth through twelfth	4,233.34	4,197.40
Total Regular ADA	14,176.64	14,111.51
Extended Year Special Education		
Transitional kindergarten through third	7.13	7.13
Fourth through sixth	4.26	4.26
Seventh and eighth	-	-
Ninth through twelfth	3.91	3.91
Total Extended Year Special Education	15.30	15.30
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	2.18	2.76
Fourth through sixth	1.77	2.25
Seventh and eighth	0.12	0.09
Ninth through twelfth	3.89	4.85
Total Special Education, Nonpublic, Nonsectarian Schools	7.96	9.95
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.22	0.22
Fourth through sixth	0.12	0.12
Seventh and eighth	0.11	0.11
Ninth through twelfth	0.79	0.79
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	1.24	1.24
Total ADA	14,199.90	14,136.76

See accompanying note to supplementary information.

LYNWOD UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2014

Grade Level	1986-87	Reduced	2013-14 Actual Minutes	Number of Days		Status
	Minutes Requirement	1986-87 Minutes Requirement		Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	35,000	60,570	177	N/A	Complied
Grades 1 - 3	50,400	49,000				
Grade 1			53,645	177	N/A	Complied
Grade 2			53,645	177	N/A	Complied
Grade 3			53,645	177	N/A	Complied
Grades 4 - 6	54,000	52,500				
Grade 4			53,645	177	N/A	Complied
Grade 5			53,645	177	N/A	Complied
Grade 6			53,645	177	N/A	Complied
Grades 7 - 8	54,000	52,500				
Grade 7			58,551	177	N/A	Complied
Grade 8			58,551	177	N/A	Complied
Grades 9 - 12	64,800	63,000				
Grade 9			63,186	177	N/A	Complied
Grade 10			63,186	177	N/A	Complied
Grade 11			63,186	177	N/A	Complied
Grade 12			63,186	177	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, 2014

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

	General Fund	Capital Facilities Fund	Self-Insurance Fund
FUND BALANCE			
Balance, June 30, 2014, Unaudited Actuals	\$ 13,363,813	\$ 945,352	\$ 2,809,418
Decrease in:			
Cash with fiscal agent	-	(107,516)	-
Increase in:			
Cash with fiscal agent	12,795	-	-
Claims liability	-	-	(1,158,000)
Balance, June 30, 2014, Audited Financial Statements	<u>\$ 13,376,608</u>	<u>\$ 837,836</u>	<u>\$ 1,651,418</u>

See accompanying note to supplementary information.

LYNWOOD UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2014

	(Budget) 2015 ¹	2014	2013	2012
GENERAL FUND ⁵				
Revenues	\$ 140,368,001	\$ 133,172,848	\$ 124,717,495	\$ 132,557,330
Other sources and transfers in	-	262	-	-
Total Revenues and Other Sources	140,368,001	133,173,110	124,717,495	132,557,330
Expenditures	132,986,818	130,080,763	126,470,622	130,884,502
Other uses and transfers out	2,085,965	1,629,101	1,711,944	1,642,389
Total Expenditures and Other Uses	135,072,783	131,709,864	128,182,566	132,526,891
INCREASE (DECREASE) IN FUND BALANCE	\$ 5,295,218	\$ 1,463,246	\$ (3,465,071)	\$ 30,439
ENDING FUND BALANCE	\$ 18,671,304	\$ 13,376,086	\$ 11,912,840	\$ 15,377,911
AVAILABLE RESERVES ²	\$ 14,325,254	\$ 8,982,893	\$ 9,006,777	\$ 13,142,296
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	10.61%	7.00%	7.21%	10.15%
LONG-TERM OBLIGATIONS	N/A	\$ 90,179,605	\$ 88,564,336	\$ 59,280,276
K-12 AVERAGE DAILY ATTENDANCE AT P-2 ⁴	14,050	14,200	14,290	14,728

The General Fund balance has decreased by \$2,001,825 over the past two years. The fiscal year 2014-2015 budget projects an increase of \$5,295,218 (40 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating surplus during the 2014-2015 fiscal year. Total long-term obligations have increased by \$28,649,329 over the past two years.

Average daily attendance has decreased by 528 over the past two years. An additional decline of 150 ADA is anticipated during fiscal year 2014-2015.

¹ Budget 2015 is included for analytical purposes only and has not been subjected to audit.

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

³ On behalf payments of \$3,381,147, \$3,178,492, and \$3,082,521, have been excluded from the calculation of available reserves the fiscal year ending June 30, 2014, 2013, and 2012, respectively.

⁴ Excludes adult education ADA.

⁵ 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, 2014

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	\$ 968,244	\$ 2,251,840	\$ 882,362
Receivables	25,016	1,743,528	2,819
Stores inventories	-	64,564	-
Total Assets	\$ 993,260	\$ 4,059,932	\$ 885,181
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 622,815	\$ 430,794	\$ 47,345
Due to other governments	232	-	-
Unearned revenue	-	212,666	-
Total Liabilities	623,047	643,460	47,345
Fund Balances:			
Nonspendable	-	65,066	-
Restricted	370,213	3,082,819	837,836
Assigned	-	268,587	-
Total Fund Balances	370,213	3,416,472	837,836
Total Liabilities and Fund Balances	\$ 993,260	\$ 4,059,932	\$ 885,181

See accompanying note to supplementary information.

County School Facilities Fund	Bond Interest and Redemption Fund	Tax Override Fund	Total Non-Major Governmental Funds
\$ 4,077,566	\$ 3,386,857	\$ 5,672	\$ 11,572,541
20,702	-	20	1,792,085
-	-	-	64,564
<u>\$ 4,098,268</u>	<u>\$ 3,386,857</u>	<u>\$ 5,692</u>	<u>\$ 13,429,190</u>
\$ 91,051	\$ -	\$ -	\$ 1,192,005
-	-	-	232
-	-	-	212,666
<u>91,051</u>	<u>-</u>	<u>-</u>	<u>1,404,903</u>
-	-	-	65,066
4,007,217	3,386,857	5,692	11,690,634
-	-	-	268,587
<u>4,007,217</u>	<u>3,386,857</u>	<u>5,692</u>	<u>12,024,287</u>
<u>\$ 4,098,268</u>	<u>\$ 3,386,857</u>	<u>\$ 5,692</u>	<u>\$ 13,429,190</u>

LYNWOOD UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2014

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund
REVENUES			
Federal sources	\$ 222,509	\$ 6,707,476	\$ -
Other State sources	648,102	460,575	-
Other local sources	2,370,444	316,357	149,642
Total Revenues	3,241,055	7,484,408	149,642
EXPENDITURES			
Current			
Instruction	2,687,470	-	-
Instruction-related activities:			
Supervision of instruction	938	-	-
School site administration	272,750	-	-
Pupil services:			
Food services	-	7,393,309	-
All other pupil services	3,247	-	-
Administration:			
All other administration	157,489	357,488	4,333
Plant services	71,145	-	-
Facility acquisition and construction	-	-	268,709
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	3,193,039	7,750,797	273,042
Excess (Deficiency) of			
Revenues Over Expenditures	48,016	(266,389)	(123,400)
Other Financing Uses			
Transfers in	112,362	-	-
NET CHANGE IN FUND BALANCES	160,378	(266,389)	(123,400)
Fund Balances - Beginning	209,835	3,682,861	961,236
Fund Balances - Ending	\$ 370,213	\$ 3,416,472	\$ 837,836

See accompanying note to supplementary information.

County School Facilities Fund	Bond Interest and Redemption Fund	Tax Override Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 6,929,985
15,970,402	-	-	17,079,079
23,991	3,116,377	36	5,976,847
15,994,393	3,116,377	36	29,985,911
-	-	-	2,687,470
-	-	-	938
-	-	-	272,750
-	-	-	7,393,309
-	-	-	3,247
-	-	-	519,310
-	-	-	71,145
12,306,062	-	-	12,574,771
-	655,000	-	655,000
-	1,298,409	-	1,298,409
12,306,062	1,953,409	-	25,476,349
3,688,331	1,162,968	36	4,509,562
-	-	-	112,362
3,688,331	1,162,968	36	4,621,924
318,886	2,223,889	5,656	7,402,363
\$ 4,007,217	\$ 3,386,857	\$ 5,692	\$ 12,024,287

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

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.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of funds that have been recorded in the current period as revenues that have not been expended as of June 30, 2014. The unspent balance is for Medi-Cal Billing Option and Medi-Cal Administrative Activities Program funds reported as legally restricted ending balances within the General Fund.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 19,048,705
Medi-Cal Billing Option	93.778	(129,881)
Medi-Cal Administrative Activities Program	93.778	(163,287)
Total Schedule of Expenditures of Federal Awards		<u>\$ 18,755,537</u>

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

LYNWOOD UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

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.

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

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

INDEPENDENT AUDITORS' REPORTS



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

Governing Board
Lynwood Unified School District
Lynwood, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lynwood Unified School District (the District) as of and for the year ended June 30, 2014, 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, 2014.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 as items 2014-001 and 2014-002.

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 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, 2014.

Lynwood Unified School District's Responses 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 them.

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 result 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.

Varvick, Tinn, Day & Co., LLP

Rancho Cucamonga, California
December 15, 2014



**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, 2014. 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, 2014.

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, Tein, Day & Co., LLP

Rancho Cucamonga, California
December 15, 2014



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 *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2013-2014* 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, 2014.

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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-2014*. 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, 2014.

Other Matters

We noted certain matters that we reported to management of Lynwood Unified School District in a separate letter dated December 15, 2014.

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

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No, see below
Continuation Education	10	Yes
Instructional Time:		
School Districts	10	Yes
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Yes
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous Records of Attendance	8	Not Applicable
Mode of Instruction	1	Not Applicable
Non Classroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not Applicable
Annual Instruction Minutes Classroom-Based	4	Not Applicable
Charter School Facility Grant Program	1	Not Applicable

We did not perform testing for Non Classroom-Based Instruction/Independent Study because ADA was below the threshold required for testing.

Vannink, Tim, Day & Co., LLP

Rancho Cucamonga, California
December 15, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LYNWOOD UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2014

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None Reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 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>
84.027, 84.173, 84.027A, 84.173A	<u>Special Education (IDEA) Cluster</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>
	<u>Title I, Part A - Basic Grants Low</u>
<u>84.010</u>	<u>Income and Neglected</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 562,666</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
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LYNWOOD UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

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

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.

Corrective Action Plan

The District's Purchasing Department will continue notifying all sites and departments, as well as vendors, to outline correct procedures.

LYNWOOD UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

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

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014**

None reported.

LYNWOOD UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

LYNWOOD UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

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

2013-1 30000

Criteria or Specific Requirements

Purchase Order Approval

Condition

During our review of the purchasing process, auditor noted that several instances of 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 department 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

Not implemented; see item 2014-001.

LYNWOOD UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

2013-2 30000

Criteria or Specific Requirements

Inventory Reconciliation

Condition

During our inquiry and review of the inventory process, auditor noted the following items:

1. Year end adjustment for the final inventory physical count was not performed.
2. Based on the inquiry made with the District personnel, it was determined that the inventory physical count is performed by the same individual handling the inventory throughout the year. We were also informed that the individual also has access to system to make changes.

Questioned costs

None

Context

The condition identified was determined based on the testing of year ending balance comparison as well as inquiry performed with District personnel.

Effect

Incorrect reporting of the inventory balance as well as possible segregation of duties.

Cause

The District was aware of the situation and has been active in revolving the conditions noted.

Recommendation

It is recommended that the District ensure that all year end closing adjustment at the end of the fiscal year. It is also recommended that the District review the personnel duties to ensure that proper segregation of duties is established.

Current Status

Implemented.

LYNWOOD UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

2013-3 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, 2014

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 item 2014-002.

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, 2014, 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, 2014, on the financial statements of Lynwood Unified School District.

2013-2014 Observations and Recommendations

Vista Continuation High School

Associated Student Body - Minutes

Observation

During our review of the associated student body account the following items were noted:

1. Council minutes are not complete.
2. Approval forms for expenditures are not utilized.

Recommendation

It is recommended that the District review the associated student body manual for proper procedures over the observations identified.

Associated Student Body - Cash Disbursements Not Pre-Approved

Observation

When reviewing the cash disbursement procedures at the site, it was noted that seven disbursements tested were missing pre-approval. Expenditures are being performed before the Student Council approves them.

Recommendation

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

Associated Student Body - Receipted cash used for expenditures

Observation

Through Cash Receipt testing, auditor noticed that cash receipts were used to purchase food for associated student body events. Seven receipts collected between November 19, 2013 and December 18, 2013, totaling \$190 were used to buy \$189.15 worth of food for an associated student body events. According to the associated student body bookkeeper, the District is aware of what happened and recommended the site to buy items and request a reimbursement when the vendor does not accept checks.

Recommendation

Auditor spoke with associated student body bookkeeper and site principal and recommended that the site deposit all funds collected intact to the bank. When purchases for food event arise, they could issue a check for the vendor or could request an advance to purchase items if the vendor does not accept checks.

Lynwood High School

Associated Student Body – Expenditure Approval

Observation

Athletic club expenditures were not included in the minutes for approval.

Recommendation

It is recommended that the District reviews the associated student body manual for proper procedures over the observations identified.

Lynwood Middle School

Associated Student Body – Inventory Count

Observation

We noted that inventory count is performed by only the associated student body bookkeeper with no second review.

Recommendation

A second count of inventory should be performed and compared to the first count to make sure the count was accurate (FCMAT page 123).

Associated Student Body - – Revenue Potentials

Observation

It was noted that revenue potentials were not utilized for all fundraisers performed during the year.

Recommendation

It is recommended that the District review the associated student body manual for proper procedures over the observations identified.

Associated Student Body – Incomplete minutes

Observation

The minutes of the Student Council meetings are not completed as suggested in the "Accounting Procedures for Student Organizations" manual, as prepared by the School Business Services Division of the California Department of Education.

Recommendation

The Department of Education's 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.

George Washing Elementary School

Site Cash - Refunds

Observation

During the audit of site cash collections, site staff informed the auditor that a \$10 refund was issued for a lost book which was subsequently found and returned. The documentation of a refund was a post-it note attached to the receipt from which funds were taken to issue refund. The \$10 difference was confirmed when auditor performed Site Cash Collection Count in which the site was \$10 short.

Recommendation

Auditor recommended that District policies and procedures regarding refunds be followed.

2012-2013 Observations and Recommendations

Lugo Elementary

Site Cash Collection

Observation

It appears through inquire with personnel, the site library issues refunds at the school site with the cash collected on that day. The refund will be subtracted from the total deposit for the time frame.

Recommendation

It is recommended that all refunds be made by the District office and not with the cash collected at the school site. If refunds can be made by the school site, it is recommended that the District has written procedures how to handle refunds.

Current Status

Implemented.

Lynwood High School

Associated Student Body

Observation

During our review of the associated student body account the following items were noted:

1. Council minutes did not include attendees and determine to be incomplete.
2. Athletic club expenditures were not included in the minutes for approval.
3. One expense was paid for a different amount that was approved.
4. Revenue potentials are not being utilized.

Recommendation

It is recommended that the District review the associated student body manual for proper procedures over the observations identified.

Current Status

Partially implemented; see current year observations and recommendations.

Vista High School

Associated Student Body

Observation

During our review of the associated student body account the following items were noted:

1. Council minutes are not complete.
2. Approval forms for expenditures are not utilized.
3. Receipts utilized could not be traced to deposit due to filing method. Auditor was only able to reconcile total for a period of time to bank statement.

Recommendation

It is recommended that the District review the associated student body manual for proper procedures over the observations identified.

Current Status

Partially implemented; see current year observations and recommendations.

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

Varrink, Tim, Day & Co., LLP

Rancho Cucamonga, California
December 15, 2014