

LITTLE LAKE CITY SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

LITTLE LAKE CITY SCHOOL DISTRICT

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FINANCIAL SECTION



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

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Little Lake City School District
Santa Fe Springs, 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 Little Lake City School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15, budgetary comparison schedule on page 68, schedule of changes in the District's total OPEB liability and related ratios on page 69, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 70, schedule of the District's proportionate share of the net pension liability on page 71, and the schedule of District contributions on page 72, 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 Little Lake City School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2018, on our consideration of the Little Lake City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Little Lake City School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Little Lake City School District's internal control over financial reporting and compliance.

Vavnick, Train, Day & Co., LLP

Rancho Cucamonga, California
November 7, 2018



Little Lake City School District

Where Kids Are #1

10515 S. Pioneer Boulevard, Santa Fe Springs, CA 90670-3799 (562) 868-8241 Fax (562) 868-1192

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District 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 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 two categories of activities: governmental and fiduciary.

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

The *Fiduciary Funds* are prepared using the economic resources measurement focus and the actual 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 Little Lake City School District.

LITTLE LAKE CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

LITTLE LAKE CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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.

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. The District's fiduciary activities are reported in the *Statement 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.

LITTLE LAKE CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$(14,252,305) for the fiscal year ended June 30, 2018. Of this amount, \$(34,209,703) 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 that net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's activities.

Table 1

	Governmental Activities	
	2018	2017 as restated
ASSETS		
Current and other assets	\$ 25,530,132	\$ 27,557,237
Capital assets	51,215,983	50,165,286
Total Assets	76,746,115	77,722,523
DEFERRED OUTFLOWS OF RESOURCES	14,657,000	8,946,151
LIABILITIES		
Current liabilities	6,981,259	7,758,223
Long-term obligations	50,181,498	50,816,308
Aggregate net pension liability	46,276,230	39,792,611
Total Liabilities	103,438,987	98,367,142
DEFERRED INFLOWS OF RESOURCES	2,216,433	1,565,363
NET POSITION		
Net investment in capital assets	11,252,218	11,601,303
Restricted	8,705,180	7,925,067
Unrestricted deficit	(34,209,703)	(32,790,201)
Total Net Position	\$ (14,252,305)	\$ (13,263,831)

The \$(34,209,703) in unrestricted net deficit of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, decreased by \$1,419,502 or 4.3 percent \$(34,209,703) compared to \$(32,790,201).

LITTLE LAKE CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 17. 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

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,144,520	\$ 1,179,156
Operating grants and contributions	9,557,174	8,011,238
General revenues:		
Federal and State aid not restricted	33,481,443	33,483,828
Property taxes	11,463,745	10,250,095
Other general revenues	1,348,467	1,802,134
Total Revenues	<u>56,995,349</u>	<u>54,726,451</u>
Expenses		
Instruction-related	39,769,351	37,946,474
Pupil services	5,961,253	5,647,605
Administration	3,482,410	3,137,588
Plant services	4,185,539	3,785,394
Other	4,585,270	4,051,559
Total Expenses	<u>57,983,823</u>	<u>54,568,620</u>
Change in Net Position	<u>\$ (988,474)</u>	<u>\$ 157,831</u>

As shown above, the District incurred a change in net position equaling \$(988,474).

LITTLE LAKE CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

Governmental Activities

As reported in the *Statement of Activities* on page 17, the cost of all of our governmental activities this year was \$57,983,823, an increase of \$3,415,203, or 6.3 percent over the prior year. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$11,463,745 because the cost paid by those who benefited from programs was \$1,144,520, and by other governments and organizations who subsidized certain programs with grants and contributions was \$9,557,174. We paid for the remaining "public benefit" portion of our governmental activities with \$33,481,443 from Federal and State unrestricted funds and \$1,348,467 from other revenue sources, such as interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction related services, pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Instruction-related	\$ 39,769,351	\$ 37,946,474	\$ 32,973,298	\$ 32,022,572
Pupil services	5,961,253	5,647,605	3,064,567	2,596,117
Administration	3,482,410	3,137,588	3,267,689	2,947,439
Plant services	4,185,539	3,785,394	4,181,188	3,780,728
Other	4,585,270	4,051,559	3,795,387	4,031,370
Total	<u>\$ 57,983,823</u>	<u>\$ 54,568,620</u>	<u>\$ 47,282,129</u>	<u>\$ 45,378,226</u>

LITTLE LAKE CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$19,406,523, which is a decrease of \$1,257,041, or 6.1 percent, from last year. An itemized chart is provided below labeled as Table 4.

Table 4

	Balances and Activity			
	July 1, 2017	Revenues	Expenditures	June 30, 2018
General Fund	\$ 10,067,336	\$ 50,135,146	\$ 49,705,576	\$ 10,496,906
Special Reserve Fund for Capital				
Outlay Projects	1,031,875	1,357,963	787,754	1,602,084
Bond Interest and Redemption Fund	4,086,128	3,354,104	2,953,045	4,487,187
Cafeteria Fund	890,253	2,646,847	2,681,770	855,330
Building Fund	2,666,237	11,788	2,678,025	-
Capital Facilities Fund	1,241,870	173,846	141,215	1,274,501
County School Facilities Fund	673,844	10,556	-	684,400
Debt Service Fund	6,021	94	-	6,115
Total	\$ 20,663,564	\$ 57,690,344	\$ 58,947,385	\$ 19,406,523

The primary reasons for these changes are:

- As the District's principal operating fund, the General Fund, is comprised of unrestricted as well as restricted dollars. The General Fund is used to account for the ordinary operations of the District. In accordance with GASB Statement No. 54 requirements, the fund balance for the General Fund is inclusive of all financial activity recorded in the Deferred Maintenance Fund. The fund balance increased by \$0.43 million primarily due to receiving \$0.63 million one-time funds for Outstanding Mandated Claims.
- The Special Reserve Fund for Capital Outlay is used to account for Capital Outlay Projects primarily funded by General Fund monies. The fund balance increased by \$0.57 million due to receipt of \$0.35 million in property tax AB 1290 funds and receipt of \$0.99 million in Proposition 39 funds and expenditures of \$0.79 million for the MPR Audio and Visual upgrades and LED Lighting Upgrades.
- The Building Fund is used to account for bond proceeds and record expenditures in accordance with the voter approved bond language. The fund balance in the Building Fund decreased by \$2.67 million. No additional bond proceeds were received in the 2017-2018 fiscal year. A total of \$2.68 million of expenditures were incurred due to facility modernization projects.
- The Fund balances in the Bond Interest and Redemption Fund, Cafeteria Fund, Capital Facilities Fund, County School Facilities Fund, and Debt Service Fund remained fairly stable from the prior year, showing a net increase of approximately \$0.41 million.

LITTLE LAKE CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 26, 2018. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 68.)

The anticipated ending balance for the General Fund was projected at \$9.51 million, based on final budgetary revisions through June 30, 2018. Based on year-end totals, the ending fund balance was \$9.77 million, reflecting an increase of \$0.26 million over earlier projections. The increase in reserves is mainly attributed to the fluctuation of both revenue and expenditures. The following are the primary unforeseen items:

- Increase in Unrestricted Lottery Revenue per ADA allocation from \$146 to \$153, resulting in an increase of \$0.03 million.
- The District received an increase in Donation and Interest revenue in the amount of \$0.06 million due to revenue being recognized on a cash basis.
- One-time savings for sub agreements for services under the After School Education and Safety grant and Special Ed of \$0.06 million.
- Savings for wireless billing due to E-Rate savings of \$0.03 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had \$51,215,983 in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$1,050,697, or 2.1 percent, from last year (Table 5). The totals reported below are based on a recently completed fiscal inventory and assessment of building and land values.

Table 5

	Governmental Activities	
	2018	2017
Land and construction in progress	\$ 2,827,355	\$ 3,001,109
Buildings and improvements	48,026,385	46,811,791
Furniture and equipment	362,243	352,386
Total	\$ 51,215,983	\$ 50,165,286

The District completed modernization projects at various schools totaling \$3,592,877 in the 2017-2018 year. We present more detailed information about our capital assets in Note 5 to the financial statements.

LITTLE LAKE CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

Long-Term Obligations

At the end of this year, the District had \$50,181,498 in long-term obligations outstanding versus \$50,816,308 last year, a decrease of 1.3 percent. Those obligations consisted of:

Table 6

	Governmental Activities	
	2018	2017 as restated
General obligation bonds (net of unamortized premiums)	\$ 41,071,340	\$ 42,152,049
Other postemployment benefits	8,814,099	8,170,986
Compensated absences (vacations)	171,507	192,469
Early retirement incentives	124,552	300,804
Total	\$ 50,181,498	\$ 50,816,308

The District's general obligation bond rating continues to be "AA-." The State limits the amount of general obligation debt that districts can issue to five percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$41,071,340 million is significantly below the statutorily-imposed limit.

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

Net Pension Liability (NPL)

At year-end, the District had a net pension liability of \$46,276,230, as a result of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

LITTLE LAKE CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2018-2019 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

- LCFF Revenue is budgeted at \$9,819 per ADA, comprised of 3.00 percent cost-of-living adjustment, 72.62 Unduplicated Pupil Percentage and 100.00 percent Funding Gap. Enrollment projections indicate a decline in student population that directly affects the LCFF Revenue Funding. Projected Second Period Apportionment (P2 ADA) is projected at 4,236. Due to projected enrollment decline, the District will be funded on the prior year P2 ADA of 4,272.
 - LCFF income is budgeted at \$41.98 million, an increase of \$2.62 million, or 7 percent from the prior year. This included property tax revenue budgeted at \$6.92 million and EPA revenue budgeted at \$5.18 million.
- Federal Income is budgeted at \$1.61 million. No major differences are reflected from 2017-2018 unaudited actuals. The District anticipates receiving funding for Special Education, Title I, Part A, Title II, Part A, Title III, and Title X.
- Other State income is budgeted at \$5.22 million, a decrease of \$0.24 million or 4.5 percent from the prior year. The decrease is primarily due to changes in funding from the following program:
 - A reduction of \$0.99 million for Prop 39 – California Clean Energy Jobs Acts funding received in 2017-18.
 - A projected increase at adopted budget of \$0.84 million in one-time funds for Outstanding Mandated Claims. Currently, the State has revised the per ADA allocation from \$344 at adopted budget to \$184. Therefore, the District is only anticipating an increase of \$0.16 million in one-time funds for Outstanding Mandated Claims from prior year.
- Other Local Revenue is budgeted at \$2.54 million, a decrease of \$0.90 from prior year. The decrease is primarily due to reduction in funding from the following:
 - A reduction of \$0.37 million due to the end of the Measure LL Parcel Tax revenue as of adopted budget.
 - A reduction of \$0.35 million due to revenue received in 2017-18 for Community Redevelopment Funds. These funds are budgeted on a cash basis.

LITTLE LAKE CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

The key assumptions in our expenditure forecast are:

- Certificated and Classified salaries and benefits total 80 percent of total expenditures. Certificated and classified salaries total \$28.37 million, an increase of \$0.72 million, or 3.0 percent from prior year unaudited actual totals, and reflect staffing ratios approved in policy and employee contracts. Provided below are teacher staffing ratios.

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Grades kindergarten through third	24:1	1,946
Grades four through eight	33:1	2,397

Salary projections include the following:

- Negotiations for the 2018-2019 were not settled with both bargaining associations as of the adoption of the budget. Therefore, no cost-of-living increases are budgeted.
- Step, scale, and longevity increases were budgeted at \$0.23 million.
- Employee benefits are budgeted at \$12.61 million, and include statutory benefits for all positions as follows: STRS 40 percent, PERS 7 percent, OASDI 3 percent, Medicare 3 percent, SUI 0.11 percent, and Workers' Compensation 6 percent. STRS and PERS rates reflect increases from previous years which were 14.43 percent and 15.531 percent, respectively. Future increases are scheduled to be phased-in through 2021-2022 to eliminate the outstanding liabilities. These increased employer contributions for STRS and PERS are estimated to impact multi-year projections by over \$0.69 million through 2021-2022.
- \$9.99 million, or 20 percent of the total General Fund operating budget is allocated for books and supplies (\$1.75 million), other operating expenses and services (\$8.22 million), and other outgo and uses (\$0.02 million).

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 Manuel Correa, Assistant Superintendent, Business Services at Little Lake City School District, 10515 South Pioneer Boulevard, Santa Fe Springs, California, 90670, or e-mail at mcorrea@llcsd.net.

LITTLE LAKE CITY SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2018

	Governmental Activities
ASSETS	
Deposits and investments	\$ 23,182,619
Receivables	2,279,572
Prepaid expenses	50,400
Stores inventories	17,541
Capital assets	
Land and construction in process	2,827,355
Other capital assets	77,388,335
Less: Accumulated depreciation	(28,999,707)
Total Capital Assets	<u>51,215,983</u>
Total Assets	<u><u>76,746,115</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	200,518
Deferred outflows of resources related to pensions	14,456,482
Total Deferred Outflows of Resources	<u><u>14,657,000</u></u>
LIABILITIES	
Overdrafts	194
Accounts payable	6,028,330
Interest payable	857,650
Unearned revenue	95,085
Long-term obligations	
Current portion of long-term obligations other than pensions	1,381,549
Noncurrent portion of long-term obligations other than pensions	48,799,949
Total Long-Term Obligations	<u>50,181,498</u>
Aggregate net pension liability	<u>46,276,230</u>
Total Liabilities	<u><u>103,438,987</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>2,216,433</u>
NET POSITION	
Net investment in capital assets	11,252,218
Restricted for:	
Debt service	3,635,652
Capital projects	1,958,901
Educational programs	2,272,838
Other restrictions	837,789
Unrestricted deficit	(34,209,703)
Total Net Position	<u><u>\$ (14,252,305)</u></u>

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

LITTLE LAKE CITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction	\$ 34,963,599	\$ 734,904	\$ 5,533,365	\$ (28,695,330)
Instruction-related activities:				
Supervision of instruction	1,616,695	40,764	340,028	(1,235,903)
Instructional library, media, and technology	208,498	-	4,318	(204,180)
School site administration	2,980,559	-	142,674	(2,837,885)
Pupil services:				
Home-to-school transportation	982,355	-	-	(982,355)
Food services	2,606,360	314,660	2,200,567	(91,133)
All other pupil services	2,372,538	13,330	368,129	(1,991,079)
Administration:				
Data processing	781,247	-	8,530	(772,717)
All other administration	2,701,163	15,358	190,833	(2,494,972)
Plant services	4,185,539	544	3,807	(4,181,188)
Enterprise services	2,312	-	232	(2,080)
Interest on long-term obligations	1,865,436	-	-	(1,865,436)
Other outgo	246,010	24,960	764,691	543,641
Depreciation (unallocated)	2,471,512	-	-	(2,471,512)
Total Governmental Activities	\$ 57,983,823	\$ 1,144,520	\$ 9,557,174	(47,282,129)
General revenues and subventions:				
				7,834,777
Property taxes, levied for general purposes				2,901,966
Property taxes, levied for debt service				727,002
Taxes levied for other specific purposes				
Federal and State aid not restricted to specific purposes				33,481,443
Interest and investment earnings				239,834
Miscellaneous				1,108,633
				<u>46,293,655</u>
				Change in Net Position
				(988,474)
				Net Position - Beginning, as restated
				(13,263,831)
				Net Position - Ending
				<u>\$ (14,252,305)</u>

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

LITTLE LAKE CITY SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018**

	General Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund
ASSETS			
Deposits and investments	\$ 14,095,366	\$ 2,222,988	\$ 4,487,187
Receivables	1,683,851	5,180	-
Prepaid expenditures	50,400	-	-
Stores inventories	-	-	-
Total Assets	\$ 15,829,617	\$ 2,228,168	\$ 4,487,187
LIABILITIES AND FUND BALANCES			
Liabilities:			
Overdrafts	\$ -	\$ -	\$ -
Accounts payable	5,237,626	626,084	-
Unearned revenue	95,085	-	-
Total Liabilities	5,332,711	626,084	-
Fund Balances:			
Nonspendable	75,400	-	-
Restricted	2,272,838	1,292,432	4,487,187
Assigned	2,664,242	309,652	-
Unassigned	5,484,426	-	-
Total Fund Balances	10,496,906	1,602,084	4,487,187
Total Liabilities and Fund Balances	\$ 15,829,617	\$ 2,228,168	\$ 4,487,187

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 2,377,078	\$ 23,182,619
590,541	2,279,572
-	50,400
17,541	17,541
<u>\$ 2,985,160</u>	<u>\$ 25,530,132</u>
194	\$ 194
164,620	6,028,330
-	95,085
<u>164,814</u>	<u>6,123,609</u>
17,541	92,941
2,802,805	10,855,262
-	2,973,894
-	5,484,426
<u>2,820,346</u>	<u>19,406,523</u>
<u>\$ 2,985,160</u>	<u>\$ 25,530,132</u>

LITTLE LAKE CITY SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds		\$ 19,406,523
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is:	\$ 80,215,690	
Accumulated depreciation is:	<u>(28,999,707)</u>	
Net Capital Assets		51,215,983
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds.		
Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	3,864,869	
Net change in proportionate share of net pension liability	1,574,401	
Differences between projected and actual earnings on pension plan investments	342,935	
Differences between expected and actual experience in the measurement of the total pension liability	489,629	
Changes of assumptions	<u>8,184,648</u>	
Total Deferred Outflows of Resources Related to Pensions		14,456,482
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	(497,044)	
Differences between expected and actual experience in the measurement of the total pension liability	(634,227)	
Changes of assumptions	<u>(116,718)</u>	
Total Deferred Inflows of Resources Related to Pensions		(2,216,433)
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.		(857,650)
Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds.		
Deferred outflows of resources related to OPEB at year-end consist of changes of assumptions.		200,518
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(46,276,230)

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

LITTLE LAKE CITY SCHOOL DISTRICT

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

Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term obligations at year-end consist of the following:

General obligation bonds	\$ (39,509,901)
Unamortized premium on bonds issuance	(453,864)
Other postemployment benefits	(8,814,099)
Compensated absences (vacations)	(171,507)
Early retirement incentives	(124,552)

In addition, the District has issued 'capital appreciation' general bonds. The accretion of interest unmatured on the general obligation bonds to date is:

(1,107,575)

Total Long-Term Obligations

(50,181,498)

Total Net Position - Governmental Activities

\$ (14,252,305)

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

LITTLE LAKE CITY SCHOOL DISTRICT

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

	General Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund
REVENUES			
Local Control Funding Formula	\$ 39,355,906	\$ -	\$ -
Federal sources	1,864,218	-	404,235
Other State sources	5,463,818	-	24,883
Other local sources	3,451,204	15,430	2,924,986
Total Revenues	50,135,146	15,430	3,354,104
EXPENDITURES			
Current			
Instruction	33,120,835	-	-
Instruction-related activities:			
Supervision of instruction	1,516,539	-	-
Instructional library, media, and technology	200,189	-	-
School site administration	2,793,159	-	-
Pupil services:			
Home-to-school transportation	982,355	-	-
Food services	-	-	-
All other pupil services	2,235,499	-	-
Administration:			
Data processing	759,610	-	-
All other administration	2,475,909	-	-
Plant services	4,014,476	38,400	-
Other outgo	246,010	-	-
Enterprise services	2,312	-	-
Facility acquisition and construction	11,645	749,354	-
Debt service			
Principal	-	-	1,245,000
Interest and other	-	-	1,708,045
Total Expenditures	48,358,538	787,754	2,953,045
Excess (Deficiency) of Revenues Over Expenditures	1,776,608	(772,324)	401,059
Other Financing Sources (Uses)			
Transfers in	-	1,342,533	-
Transfers out	(1,347,038)	-	-
Net Financing Sources (Uses)	(1,347,038)	1,342,533	-
NET CHANGE IN FUND BALANCES	429,570	570,209	401,059
Fund Balances - Beginning	10,067,336	1,031,875	4,086,128
Fund Balances - Ending	\$ 10,496,906	\$ 1,602,084	\$ 4,487,187

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

Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 39,355,906
2,021,806	4,290,259
141,935	5,630,636
674,885	7,066,505
<u>2,838,626</u>	<u>56,343,306</u>
-	33,120,835
-	1,516,539
-	200,189
-	2,793,159
-	982,355
2,552,759	2,552,759
-	2,235,499
-	759,610
124,595	2,600,504
4,416	4,057,292
-	246,010
-	2,312
2,819,240	3,580,239
-	1,245,000
-	1,708,045
<u>5,501,010</u>	<u>57,600,347</u>
<u>(2,662,384)</u>	<u>(1,257,041)</u>
4,505	1,347,038
-	(1,347,038)
<u>4,505</u>	<u>-</u>
(2,657,879)	(1,257,041)
5,478,225	20,663,564
<u>\$ 2,820,346</u>	<u>\$ 19,406,523</u>

LITTLE LAKE CITY SCHOOL DISTRICT

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

Total Net Change in Fund Balances - Governmental Funds **\$ (1,257,041)**

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 capital outlay exceeds depreciation expense in the period.

Capital outlays	\$ 3,522,209	
Depreciation expense	(2,471,512)	
Net Expense Adjustment		1,050,697

In the Statement of Activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds; however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, early retirement incentives paid were more than incentives added by \$176,252. Vacation earned was less than the amounts used by \$20,962. 197,214

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year. (1,624,358)

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows and net OPEB liability during the year. (442,595)

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

General obligation bonds		1,245,000
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The accompanying notes are an integral part of these financial statements.

LITTLE LAKE CITY SCHOOL DISTRICT

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

Governmental funds report the effect of premiums, discounts, and the deferred charges on a refunding when the debt is issued, whereas the amounts are deferred and amortized in the Statement of Activities. Current year amortization of premium on issuance was \$21,455.

\$ 21,455

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 \$6,900 and second, \$185,746 of accumulated interest was accreted on the District's capital appreciation" general obligation bonds.

(178,846)

Change in Net Position of Governmental Activities

\$ (988,474)

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

LITTLE LAKE CITY SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 121,128
Stores inventories	20,710
Total Assets	<u><u>\$ 141,838</u></u>
 LIABILITIES	
Due to student groups	<u><u>\$ 141,838</u></u>

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

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Little Lake City School District (the District) was formed in 1871, 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 K-8 as mandated by the State and/or Federal agencies. The District is located in Los Angeles County, and occupies the cities of Santa Fe Springs, Norwalk, and Downey. The District serves 4,380 students, and operates seven elementary schools and two middle schools.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Little Lake City School District, this includes general operations, food service, and student related activities of the District.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental 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.

One fund currently defined as special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions 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 fund balance \$728,377.

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

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

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Capital Project Funds The Capital Project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

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.

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) 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 resources for, and the payment of principal and interest on general long-term obligations.

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

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

Basis of Accounting - Measurement Focus

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

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program 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 Position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Net Position restricted for other activities result from special revenue funds and the restrictions on their use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental 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.

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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.

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

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

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

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

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

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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.

Investments

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

Prepaid Expenditures

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

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental type 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. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

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

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

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the statement of net position.

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide 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. General obligation bonds and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums, and Discounts

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

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

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Fund Balances - Governmental Funds

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

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

LITTLE LAKE CITY SCHOOL DISTRICT

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JUNE 30, 2018

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 represents the difference between assets and liabilities. Net Position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net Position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position is available. The government-wide financial statements report \$8,705,180 of restricted Net Position, which is restricted by enabling legislation.

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

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.

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Property Tax

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

Change in Accounting Principles

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

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

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

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

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

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

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

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

New Accounting Pronouncements

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

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

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

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

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

LITTLE LAKE CITY SCHOOL DISTRICT

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JUNE 30, 2018

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

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

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

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

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

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

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

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

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

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	\$ 23,182,619
Fiduciary funds	121,128
Total Deposits and Investments	<u>\$ 23,303,747</u>

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

Cash on hand and in banks	\$ 121,628
Cash in revolving	25,000
Investments	23,157,119 *
Total Deposits and Investments	<u>\$ 23,303,747</u>

*Amount includes restricted deposits in the amount of \$1,525,000 held by the Los Angeles County Treasury associated with mandatory sinking fund deposits for the District's 2010 General Obligation Bonds Series D-1.

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.

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

General Authorizations

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

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

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 Los Angeles County Investment Pool to provide the cash flow and liquidity needed for operations.

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Specific Identification

The District maintains an investment of \$23,157,119 with the Los Angeles County Investment Pool that has an average weighted maturity of 609 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Los Angeles County Investment Pool is not required to be rated, nor has it been rated as of June 30, 2018.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the District's bank balance of \$141,846 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

<u>Investment Type</u>	<u>Reported Amount</u>	<u>Uncategorized</u>
Los Angeles County Treasury Investment Pool	<u>\$ 23,157,119</u>	<u>\$ 23,157,119</u>

NOTE 4 - RECEIVABLES

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

	<u>General Fund</u>	<u>Special Reserve Fund for Capital Outlay Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Activities</u>
Federal Government				
Categorical aid	\$ 789,862	\$ -	\$ 495,076	\$ 1,284,938
State Government				
Categorical aid	106,470	-	37,639	144,109
Lottery	191,642	-	-	191,642
Special education	469,292	-	-	469,292
Local Government				
Interest	57,872	5,180	13,671	76,723
Other Local Sources	68,713	-	44,155	112,868
Total	<u>\$ 1,683,851</u>	<u>\$ 5,180</u>	<u>\$ 590,541</u>	<u>\$ 2,279,572</u>

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 1,308,712	\$ -	\$ -	\$ 1,308,712
Construction in Progress	1,692,397	3,419,123	3,592,877	1,518,643
Total Capital Assets Not Being Depreciated	<u>3,001,109</u>	<u>3,419,123</u>	<u>3,592,877</u>	<u>2,827,355</u>
Capital Assets Being Depreciated:				
Land Improvements	5,676,160	38,013	-	5,714,173
Buildings and Improvements	65,247,294	3,571,039	-	68,818,333
Furniture and Equipment	2,768,918	86,911	-	2,855,829
Total Capital Assets Being Depreciated	<u>73,692,372</u>	<u>3,695,963</u>	<u>-</u>	<u>77,388,335</u>
Total Capital Assets	<u>76,693,481</u>	<u>7,115,086</u>	<u>3,592,877</u>	<u>80,215,690</u>
Less Accumulated Depreciation:				
Land Improvements	1,998,532	211,574	-	2,210,106
Buildings and Improvements	22,113,131	2,182,884	-	24,296,015
Furniture and Equipment	2,416,532	77,054	-	2,493,586
Total Accumulated Depreciation	<u>26,528,195</u>	<u>2,471,512</u>	<u>-</u>	<u>28,999,707</u>
Governmental Activities Capital Assets, Net	<u>\$ 50,165,286</u>	<u>\$ 4,643,574</u>	<u>\$ 3,592,877</u>	<u>\$ 51,215,983</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities

Unallocated	<u>\$ 2,471,512</u>
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LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 6 - INTERFUND TRANSACTIONS

Operating Transfers

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

<u>Transfer To</u>	<u>Transfer From</u> <u>General</u> <u>Fund</u>
Special Reserve Fund for Capital Outlay Projects	\$ 1,342,533
Non-Major Governmental Funds	4,505
Total	<u>\$ 1,347,038</u>

The General Fund transferred \$4,505 to the Cafeteria Non-Major Governmental Fund for negative student account balances.

The General Fund transferred \$352,582 to the Special Reserve Fund for Capital Outlay Projects for community redevelopment funds.

The General Fund transferred \$989,951 to the Special Reserve Fund for Capital Outlay Projects for clean energy funds.

NOTE 7 - ACCOUNTS PAYABLE

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

	<u>General</u> <u>Fund</u>	<u>Special Reserve</u> <u>Fund for Capital</u> <u>Outlay Projects</u>	<u>Non-Major</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u>
LCFF apportionment	\$ 913,503	\$ -	\$ -	\$ 913,503
Supplies	77,735	-	20,699	98,434
Services	628,735	-	6,531	635,266
Construction	1,165	626,084	-	627,249
Salaries and benefits	3,591,488	-	64,184	3,655,672
Due to other districts	25,000	-	73,133	98,133
Other	-	-	73	73
Total	<u>\$ 5,237,626</u>	<u>\$ 626,084</u>	<u>\$ 164,620</u>	<u>\$ 6,028,330</u>

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 8 - UNEARNED REVENUE

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

	General Fund
Federal financial assistance	<u>\$ 95,085</u>

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2017 as Restated	Additions	Deductions	Balance June 30, 2018	Due in One Year
General Obligation Bonds	\$ 41,676,730	\$ 185,746	\$ 1,245,000	\$ 40,617,476	\$ 1,320,000
Premium on issuance	475,319	-	21,455	453,864	-
Compensated absences	192,469	-	20,962	171,507	-
Early retirement incentives	300,804	-	176,252	124,552	61,549
Net Other postemployment benefits (OPEB)	8,170,986	665,892	22,779	8,814,099	-
	<u>\$ 50,816,308</u>	<u>\$ 851,638</u>	<u>\$ 1,486,448</u>	<u>\$ 50,181,498</u>	<u>\$ 1,381,549</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local tax revenues. Payments on the early retirement incentives are made by the General Fund. The accrued vacation will be paid by the fund for which the employee worked. Other postemployment benefits are generally paid by the General Fund.

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2017	Accreted	Redeemed	Outstanding June 30, 2018
5/20/2010	2029	6.03-6.23%	\$ 999,901	\$ 1,921,730	\$ 185,746	\$ -	\$ 2,107,476
5/20/2010	2026	5.96%	8,000,000	8,000,000	-	-	8,000,000
7/6/2011	2027	2.00-4.50%	5,285,000	4,095,000	-	300,000	3,795,000
10/9/2013	2043	3.00-5.00%	6,000,000	4,480,000	-	-	4,480,000
4/28/2014	2030	3.13-3.44%	6,325,000	6,040,000	-	355,000	5,685,000
4/28/2014	2025	3.13-3.44%	5,785,000	5,140,000	-	500,000	4,640,000
7/2/2015	2040	2.00-5.00%	12,000,000	12,000,000	-	90,000	11,910,000
				<u>\$ 41,676,730</u>	<u>\$ 185,746</u>	<u>\$ 1,245,000</u>	<u>\$ 40,617,476</u>

2010 General Obligation Bonds, Series D

On May 20, 2010, the District issued 2010 General Obligation Bonds, Series D in the amount of \$999,901. The Bonds were issued as capital accretion bonds, with the value of the capital appreciation bonds accreting to \$5,300,000. The bonds have a final maturity which occurs on July 1, 2029, with an interest rate of 6.03 percent to 6.23 percent. Proceeds from the sale of the bonds were used to finance the construction and modernization of school facilities and to pay cost of issuance associated with the bonds. As of June 30, 2018, the principal balance outstanding was \$2,107,476.

2010 General Obligation Bonds, Series D-1

On May 20, 2010, the District issued 2010 General Obligation Bonds, Series D-1 in the amount of \$8,000,000. The Bonds were issued as current interest bonds. The bonds have a final maturity which occurs on July 1, 2026, with an interest rate of 5.96 percent. The bonds are subject to mandatory sinking fund deposit requirement as follows:

Fiscal Year	Amount
2019	\$ 440,000
2020	480,000
2021	535,000
2022	580,000
2023	635,000
2024-2026	3,805,000
Total	<u>\$ 6,475,000</u>

The Los Angeles County Treasury has been designated as the trustee of the sinking fund and the amount held in the sinking fund as of June 30, 2018, was \$1,525,000. Proceeds from the sale of the bonds were used to finance the construction and modernization of school facilities and to pay cost of issuance associated with the bonds. As of June 30, 2018, the principal balance outstanding was \$8,000,000.

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

2011 Refunding General Obligations Bonds

On July 6, 2011, the District issued \$5,285,000 of the 2011 Refunding General Obligation Bonds. The refunding bonds were issued as current interest bonds. The bonds have a final maturity which occurs on July 1, 2027, with an interest rate of 2.00 percent to 4.50 percent. Proceeds from the sale of bonds were used to advance refund a portion of the District's outstanding Election of 2000 General Obligation Bonds, Series B and to pay cost of issuance associated with the bonds. As of June 30, 2018, the principal balance outstanding was \$3,795,000.

2012 General Obligation Bonds, Series A

On October 9, 2013, the District issued 2012 General Obligation Bonds, Series A in the amount of \$6,000,000. The Bonds were issued as current interest bonds. The bonds have a final maturity which occurs on July 1, 2043, with an interest rate of 3.00 percent to 5.00 percent. Proceeds from the sale of the bonds were used to finance the repair, upgrading, acquisition, construction, and equipping of certain District property and facilities and to pay the costs of issuing the bonds. As of June 30, 2018, the principal balance outstanding was \$4,480,000.

2014 General Obligation Refunding Bonds, Series A

On April 28, 2014, the Little Lake City School District issued the 2014 General Obligation Bonds, Series A in the amount of \$6,325,000. The Series A bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$6,231,294 (representing the principal amount of \$6,325,000, less cost of issuance of \$93,706). The bonds have a final maturity to occur on July 1, 2030, and an interest rate of 3.13 percent to 3.44 percent. Proceeds from the sale of bonds were used to provide advance refunding a portion of the District's outstanding 2000 General Obligation Bonds, Series C, and 2005 General Obligation Refunding Bonds. At June 30, 2018, the principal balance outstanding was \$5,685,000.

2014 General Obligation Refunding Bonds, Series B

On April 28, 2014, the Little Lake City School District issued the 2014 General Obligation Bonds, Series B in the amount of \$5,785,000. The Series B bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$5,695,591 (representing the principal amount of \$5,785,000, less cost of issuance of \$89,409). The bonds have a final maturity to occur on July 1, 2025, and an interest rate of 3.13 percent to 3.44 percent. Proceeds from the sale of bonds were used to provide advance refunding a portion of the District's outstanding 2000 General Obligation Bonds, Series C, and 2005 General Obligation Refunding Bonds. At June 30, 2018, the principal balance outstanding was \$4,640,000.

2012 General Obligation Bonds, Series A

On July 2, 2015, the Little Lake City School District issued the 2012 General Obligation Bonds, Series B in the amount of \$12,000,000. The Series B represents the second and final series of the authorized bonds not to exceed \$18,000,000 to be issued under the measure as approved by the voters. The Series B bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$12,303,757 (representing the principal amount of \$12,000,000 plus an original issue premium of \$515,754 less cost of issuance of \$211,997). The bonds have a final maturity to occur on July 1, 2040, and interest rates of 2.00 to 5.00 percent. Proceeds from the sale of bonds will be used to finance the renovation, acquisition, and construction of District buildings and facilities. At June 30, 2018, the principal outstanding (including accretion) was \$11,910,000. Unamortized premium received on issuance was \$453,864.

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Debt Service Requirements to Maturity

The bonds mature through 2044 as follows:

Fiscal Year	Principal Including Accreted Interest To Date	Accreted Interest	Interest	Total
2019	\$ 1,320,000	\$ -	\$ 1,664,841	\$ 2,984,841
2020	1,390,000	-	1,620,943	3,010,943
2021	1,455,000	-	1,571,631	3,026,631
2022	1,540,000	-	1,517,287	3,057,287
2023	1,620,000	-	1,459,538	3,079,538
2024-2028	16,815,250	949,750	5,589,327	23,354,327
2029-2033	6,077,226	2,242,774	2,675,385	10,995,385
2034-2038	4,970,000	-	1,766,663	6,736,663
2039-2043	4,935,000	-	568,000	5,503,000
2044	495,000	-	12,375	507,375
Total	\$ 40,617,476	\$ 3,192,524	\$ 18,445,990	\$ 62,255,990

Early Retirement Incentives

During the 2008-2009 fiscal year, the District offered a supplemental retirement plan whereby certain eligible certificated and classified employees are provided an annuity to supplement the retirement benefits they are entitled to through the District. The annuities offered to the employees are to be paid over 7 years or till employee reaches the age of 65, whichever comes first.

During 2010-2011 fiscal year, the District offered an early retirement incentive program pursuant to *Education Code* Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years. Eligible employees must have five or more years of service under the California State Teachers' Retirement System and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the District. A total of 13 employees retired under this retirement incentive programs, entitled to receive future benefits.

As of June 30, 2018, the remaining balance of the combined obligations associated with the District's supplemental retirement plans was \$124,552.

Year Ending June 30,	Payments
2019	\$ 61,549
2020	35,245
2021	19,416
2022	8,342
Total	\$ 124,552

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Accumulated Unpaid Employee Vacation (Compensated Absences)

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2018, amounted to \$171,507.

Net Other Postemployment Benefit (OPEB) Liability

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

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	OPEB Expense
District Plan	\$ 8,514,616	\$ 200,518	\$ 465,374
Medicare Premium Payment (MPP) Program	299,483	-	(22,779)
Total	<u>\$ 8,814,099</u>	<u>\$ 200,518</u>	<u>\$ 442,595</u>

The details of each plan are as follows:

District Plan

Plan Administration

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

Plan Membership

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

Inactive employees or beneficiaries currently receiving benefits payments	83
Active employees	303
	<u>386</u>

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Teacher Education Association (TEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the District contributed \$142,932 to the Plan, which was used for current premiums.

Total OPEB Liability of the District

The District's total OPEB liability of \$8,514,616 was measured as of June 30, 2018, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.98 percent
Salary increases	2.75 percent, average, including inflation
Investment rate of return	2.98 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	3.50 percent for 2018

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

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

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

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	\$ 7,848,724
Service cost	331,388
Interest	253,817
Changes of assumptions	223,619
Benefit payments	(142,932)
Net change in total OPEB liability	665,892
Balance at June 30, 2018	\$ 8,514,616

Changes to the benefit terms: No changes to the benefits terms noted.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.13 percent in 2017 to 2.98 percent in 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Total OPEB Liability
1% decrease (1.98%)	\$ 10,239,348
Current discount rate (2.98%)	8,514,616
1% increase (3.98%)	7,148,535

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (2.5%)	\$ 6,939,975
Current healthcare cost trend rate (3.5%)	8,514,616
1% increase (4.5%)	10,602,026

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$465,374. At June 30, 2018, the District reported deferred outflows of resources for changes of assumptions of \$200,518.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 23,101
2020	23,101
2021	23,101
2022	23,101
2023	23,101
Thereafter	85,013
	<u>\$ 200,518</u>

Medicare Premium Payment (MPP) Program

Plan Description

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

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

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Contributions

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, benefit payments that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

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

At June 30, 2018, the District reported a liability of \$299,483 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.0712 percent, and 0.0689 percent, resulting in a net increase in the proportionate share of 0.0023 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of \$(22,779).

Actuarial Methods and Assumptions

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

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

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among the members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

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

Discount Rate

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

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Net OPEB Liability
1% decrease (2.58%)	\$ 331,548
Current discount rate (3.58%)	299,483
1% increase (4.58%)	268,292

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 270,628
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	299,483
1% increase (4.7% Part A and 5.1% Part B)	328,049

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 10 - FUND BALANCES

Fund balances with are composed of the following elements:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 25,000	\$ -	\$ -	\$ -	\$ 25,000
Stores inventories	-	-	-	17,541	17,541
Prepaid expenditures	50,400	-	-	-	50,400
Total Nonspendable	<u>75,400</u>	<u>-</u>	<u>-</u>	<u>17,541</u>	<u>92,941</u>
Restricted					
Legally restricted programs	2,272,838	-	-	837,789	3,110,627
Capital projects	-	1,292,432	-	1,958,901	3,251,333
Debt services	-	-	4,487,187	6,115	4,493,302
Total Restricted	<u>2,272,838</u>	<u>1,292,432</u>	<u>4,487,187</u>	<u>2,802,805</u>	<u>10,855,262</u>
Assigned					
Future capital projects	-	309,652	-	-	309,652
Deferred maintenance program	728,377	-	-	-	728,377
Site attendance carryover	9,487	-	-	-	9,487
Site donation carryover	49,735	-	-	-	49,735
2018 salary negotiation - H&W	312,279	-	-	-	312,279
S&C carryover	876,900	-	-	-	876,900
Textbook adoption	491,960	-	-	-	491,960
LACOE BEST project	195,504	-	-	-	195,504
Total Assigned	<u>2,664,242</u>	<u>309,652</u>	<u>-</u>	<u>-</u>	<u>2,973,894</u>
Unassigned					
Reserve for economic uncertainties	5,484,426	-	-	-	5,484,426
Total	<u>\$ 10,496,906</u>	<u>\$ 1,602,084</u>	<u>\$ 4,487,187</u>	<u>\$ 2,820,346</u>	<u>\$ 19,406,523</u>

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 11 - LEASE REVENUES

Lease agreements have been entered into with various lessees for terms that exceed one year. None of the agreements contain purchase options. All of the agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessees, but is unlikely that the District will cancel any of the agreements prior to their expiration date. The future minimum lease payments expected to be received under these agreements are as follows:

Year Ending June 30,	Lease Revenue
2019	\$ 341,913
2020	330,166
2021	344,265
2022	344,265
2023	323,265
2024-2028	1,669,126
2029-2033	1,810,177
2034-2037	1,973,439
Thereafter	21,082,445
Total	<u>\$ 28,219,061</u>

NOTE 12 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2018, the District contracted with Alliance of Schools for Cooperative Insurance Programs (ASCIP) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2018, the District participated in the Whittier Area Schools Insurance Authority (WASIA) public entity risk pool. The intent of WASIA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in WASIA. The workers' compensation experience of the participating districts is calculated based on each participating district's experience rating and a premium/contribution rate is applied to all districts in WASIA. Participation in WASIA is limited to districts that can meet WASIA membership requirements.

Employee Medical Benefits

The District has contracted with CalPERS to provide employee health benefits. The District offers dental benefits through Delta Dental. The District also offers vision coverage through Vision Service Plan.

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

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

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 36,362,850	\$ 11,438,207	\$ 1,809,820	\$ 3,938,898
CalPERS	9,913,380	3,018,275	406,613	1,550,329
Total	<u>\$ 46,276,230</u>	<u>\$ 14,456,482</u>	<u>\$ 2,216,433</u>	<u>\$ 5,489,227</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

Benefits Provided

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

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

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

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

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were \$2,992,690.

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	\$ 36,362,850
State's proportionate share of the net pension liability associated with the District	21,511,955
Total	<u>\$ 57,874,805</u>

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.0393 percent and 0.0387 percent, resulting in a net increase in the proportionate share of 0.0006 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$3,938,898. In addition, the District recognized pension expense and revenue of \$2,165,385 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 2,992,690	\$ -
Net change in proportionate share of net pension liability	1,574,401	207,149
Difference between projected and actual earnings on pension plan investments	-	968,444
Difference between expected and actual experiences in the measurement of the total pension liability	134,473	634,227
Changes of assumptions	6,736,643	
Total	<u>\$ 11,438,207</u>	<u>\$ 1,809,820</u>

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

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2019	(805,103)
2020	609,226
2021	87,847
2022	(860,414)
Total	<u>\$ (968,444)</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2019	\$ 1,322,856
2020	1,322,856
2021	1,322,856
2022	1,322,860
2023	1,101,710
Thereafter	1,211,003
Total	<u>\$ 7,604,141</u>

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Actuarial Methods and Assumptions

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

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

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

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

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

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 53,392,208
Current discount rate (7.10%)	36,362,850
1% increase (8.10%)	22,542,372

California Public Employees Retirement System (CalPERS)

Plan Description

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

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

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Benefits Provided

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

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

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were \$872,179.

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$9,913,380. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.0415 percent and 0.0429 percent, resulting in a net decrease in the proportionate share of 0.0014 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$1,550,329. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 872,179	\$ -
Net change in proportionate share of net pension liability	-	289,895
Difference between projected and actual earnings on pension plan investments	342,935	-
Difference between expected and actual experiences in the measurement of the total pension liability	355,156	-
Changes of assumptions	1,448,005	116,718
Total	<u>\$ 3,018,275</u>	<u>\$ 406,613</u>

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

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2019	\$ (9,292)
2020	395,673
2021	144,346
2022	(187,792)
Total	<u>\$ 342,935</u>

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2019	\$ 454,663
2020	494,189
2021	447,696
Total	<u>\$ 1,396,548</u>

Actuarial Methods and Assumptions

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

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

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

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 14,585,759
Current discount rate (7.15%)	9,913,380
1% increase (8.15%)	6,037,251

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$1,513,341 (9.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves, but 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, 2018.

Litigation

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

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Whittier Area Schools Insurance Authority (WASIA), and Alliance of Schools for Cooperative Insurance Programs (ASCIP) public entity risk pools, and the Whittier Area Cooperative Special Education Program (WACSEP) and the Pupil Transportation Cooperative (PTC) joint powers authorities (JPAs). The District pays an annual premium to the ASCIP and WASIA for its property liability coverage and workers' compensation, respectively. Payments for student transportation services are paid to the PTC, respectively. Participation in WACSEP is for the receipt of Special Education funding. The relationships between the District, the pools, and the JPAs are such that they are not component units of the District for financial reporting purposes.

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2018, the District made payments of \$1,062,966, \$771,822, and \$255,638 to PTC, WASIA, and ASCIP, respectively, for the services noted above.

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

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

Net Position - Beginning	\$ (9,184,335)
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75	<u>(4,079,496)</u>
Net Position - Beginning as Restated	<u>\$ (13,263,831)</u>

REQUIRED SUPPLEMENTARY INFORMATION

LITTLE LAKE CITY SCHOOL DISTRICT

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	Original	Final		Positive
				Final to Actual
REVENUES				
Local Control Funding Formula	\$ 39,053,143	\$ 39,163,018	\$ 39,355,906	\$ 192,888
Federal sources	1,558,635	1,836,094	1,864,218	28,124
Other State sources	3,564,547	5,462,766	5,463,818	1,052
Other local sources	3,094,240	3,281,408	3,451,204	169,796
Total Revenues ¹	<u>47,270,565</u>	<u>49,743,286</u>	<u>50,135,146</u>	<u>391,860</u>
EXPENDITURES				
Current				
Certificated salaries	21,553,224	21,389,480	21,416,444	(26,964)
Classified salaries	6,139,127	6,201,085	6,234,553	(33,468)
Employee benefits	12,132,577	12,332,781	12,292,049	40,732
Books and supplies	1,480,771	1,004,788	903,333	101,455
Services and operating expenditures	7,183,262	7,506,459	7,298,929	207,530
Other outgo	140,570	129,835	121,415	8,420
Capital outlay	-	40,354	91,815	(51,461)
Total Expenditures ¹	<u>48,629,531</u>	<u>48,604,782</u>	<u>48,358,538</u>	<u>246,244</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,358,966)</u>	<u>1,138,504</u>	<u>1,776,608</u>	<u>638,104</u>
Other Financing Sources (Uses)				
Transfers out	(5,000)	(1,221,974)	(1,347,038)	(125,064)
NET CHANGE IN FUND BALANCE	<u>(1,363,966)</u>	<u>(83,470)</u>	<u>429,570</u>	<u>513,040</u>
Fund Balance - Beginning	<u>10,067,336</u>	<u>10,067,336</u>	<u>10,067,336</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 8,703,370</u>	<u>\$ 9,983,866</u>	<u>\$ 10,496,906</u>	<u>\$ 513,040</u>

¹ Due to consolidation of Fund 14, Deferred Maintenance Fund, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to this fund is included in the Actual (GAAP Basis) fund balances, but is not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

LITTLE LAKE CITY SCHOOL DISTRICT

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

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 331,388
Interest	253,817
Changes of assumptions	223,619
Benefit payments	<u>(142,932)</u>
Net change in total OPEB liability	665,892
Total OPEB liability - beginning	<u>7,848,724</u>
Total OPEB liability - ending (a)	<u><u>\$ 8,514,616</u></u>
Covered-employee payroll	<u>N/A¹</u>
District's total OPEB liability as a percentage of covered-employee payroll	<u>N/A¹</u>

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

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

See accompanying note to required supplementary information.

LITTLE LAKE CITY SCHOOL DISTRICT

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

Year ended June 30,	2018
District's proportion of the net OPEB liability	0.0712%
District's proportionate share of the net OPEB liability	\$ 299,483
District's covered-employee payroll	N/A ¹
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

See accompanying note to required supplementary information.

LITTLE LAKE CITY SCHOOL DISTRICT

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

	<u>2018</u>	<u>2017</u>
CalSTRS		
District's proportion of the net pension liability	<u>0.0393%</u>	<u>0.0387%</u>
District's proportionate share of the net pension liability	\$ 36,362,850	\$ 31,314,607
State's proportionate share of the net pension liability associated with the District	<u>21,511,955</u>	<u>17,826,847</u>
Total	<u>\$ 57,874,805</u>	<u>\$ 49,141,454</u>
District's covered - employee payroll	<u>\$ 20,739,362</u>	<u>\$ 20,468,617</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>175.33%</u>	<u>152.99%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>69%</u>	<u>70%</u>
CalPERS		
District's proportion of the net pension liability	<u>0.0415%</u>	<u>0.0429%</u>
District's proportionate share of the net pension liability	<u>\$ 9,913,380</u>	<u>\$ 8,478,004</u>
District's covered - employee payroll	<u>\$ 5,615,730</u>	<u>\$ 5,236,074</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>176.53%</u>	<u>161.92%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>74%</u>

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

See accompanying note to required supplementary information.

<u>2016</u>	<u>2015</u>
<u>0.0391%</u>	<u>0.0363%</u>
\$ 26,329,829	\$ 21,197,937
<u>13,925,577</u>	<u>12,800,230</u>
<u>\$ 40,255,406</u>	<u>\$ 33,998,167</u>
<u>\$ 17,994,392</u>	<u>\$ 16,156,921</u>
<u>146.32%</u>	<u>131.20%</u>
<u>74%</u>	<u>77%</u>
<u>0.0441%</u>	<u>0.0459%</u>
\$ 6,500,945	\$ 5,215,309
\$ 4,688,250	\$ 4,822,645
<u>138.66%</u>	<u>108.14%</u>
<u>79%</u>	<u>83%</u>

LITTLE LAKE CITY SCHOOL DISTRICT

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

	<u>2018</u>	<u>2017</u>
CalSTRS		
Contractually required contribution	\$ 2,992,690	\$ 2,574,952
Contributions in relation to the contractually required contribution	<u>2,992,690</u>	<u>2,574,952</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 20,739,362</u>	<u>\$ 20,468,617</u>
Contributions as a percentage of covered - employee payroll	<u>14.43%</u>	<u>12.58%</u>
 CalPERS		
Contractually required contribution	\$ 872,179	\$ 727,186
Contributions in relation to the contractually required contribution	<u>872,179</u>	<u>727,186</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 5,615,730</u>	<u>\$ 5,236,074</u>
Contributions as a percentage of covered - employee payroll	<u>15.53%</u>	<u>13.89%</u>

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

See accompanying note to required supplementary information.

<u>2016</u>	<u>2015</u>
\$ 2,097,727	\$ 1,597,902
<u>2,097,727</u>	<u>1,597,902</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 19,550,112</u>	<u>\$ 17,994,392</u>
<u>10.73%</u>	<u>8.88%</u>

\$ 612,072	\$ 551,807
<u>612,072</u>	<u>551,807</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 5,165,165</u>	<u>\$ 4,688,250</u>
<u>11.85%</u>	<u>11.77%</u>

LITTLE LAKE CITY SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

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

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

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

Change of Assumptions – The discount rate changed from 3.12 percent in 2017 to 2.98 percent in 2018.

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

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

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

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

LITTLE LAKE CITY SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

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

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

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

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

Schedule of District Contributions

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

SUPPLEMENTARY INFORMATION

LITTLE LAKE CITY SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE)			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 730,743
Title II, Part A, Supporting Effective Instruction	84.367	14341	143,786
Title III, English Learner Student Program	84.365	14346	87,508
Subtitle B of Title VII of the McKinney-Vento Homeless Assistance Act	84.196	14332	36,754
Passed through Whittier Union High School District SELPA			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	719,220
Total U.S. Department of Education			<u>1,718,011</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services			
Medical Assistance Program			
Medi-Cal Billing Option	93.778	10013	74,883
Medi-Cal Administrative Activities	93.778	10060	16,062
Subtotal Medical Assistance Program			<u>90,945</u>
Total U.S. Department of Health and Human Services			<u>90,945</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
National School Lunch Program	10.555	13524	1,290,707
Meal Supplements	10.555	13392	112,217
Especially Needy Breakfast Program	10.553	13526	440,737
Commodities	10.555	13524	178,145
Subtotal Child Nutrition Cluster			<u>2,021,806</u>
Total U.S. Department of Agriculture			<u>2,021,806</u>
Total Expenditures and Federal Awards			<u><u>\$ 3,830,762</u></u>

See accompanying note to supplementary information.

LITTLE LAKE CITY SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2018

ORGANIZATION

The Little Lake City School District was formed in 1871, and consists of an area comprising of approximately 4.00 square miles of the cities of Santa Fe Springs, Norwalk, and Downey. The District conducts a kindergarten through eighth grade educational program for approximately 4,380 students through seven elementary schools and two middle schools. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
George Buchanan	President	2018
Dora Sandoval	Vice President	2020
Hilda Zamora	Clerk	2018
Richard Martinez	Member	2020
Janet Rock	Member	2020

ADMINISTRATION

Dr. William Crean	Superintendent
Manuel Correa	Assistant Superintendent, Business Services
Maria Soto	Assistant Superintendent, Educational Services
Sonya Cuellar	Assistant Superintendent, Personnel Services
Khrystyne Tat	Director of Fiscal Services

See accompanying note to supplementary information.

LITTLE LAKE CITY SCHOOL DISTRICT

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

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	1,845.92	1,864.36
Fourth through sixth	1,484.13	1,483.31
Seventh and eighth	933.45	933.43
Total Regular ADA	<u>4,263.50</u>	<u>4,281.10</u>
Extended Year Special Education		
Transitional kindergarten through third	4.54	4.54
Fourth through sixth	2.61	2.61
Seventh and eighth	1.62	1.62
Total Extended Year	<u>8.77</u>	<u>8.77</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.39	0.29
Fourth through sixth	0.93	0.95
Seventh and eighth	1.63	1.68
Total Special Education, Nonpublic, Nonsectarian Schools	<u>2.95</u>	<u>2.92</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.11	0.11
Seventh and eighth	0.11	0.11
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>0.22</u>	<u>0.22</u>
Total ADA	<u>4,275.44</u>	<u>4,293.01</u>

See accompanying note to supplementary information.

LITTLE LAKE CITY SCHOOL DISTRICT

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

Grade Level	1986-87	2017-18	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	55,740	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		52,910	180	N/A	Complied
Grade 2		52,910	180	N/A	Complied
Grade 3		52,910	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		58,044	180	N/A	Complied
Grade 5		58,044	180	N/A	Complied
Grade 6		58,044	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		58,840	180	N/A	Complied
Grade 8		58,840	180	N/A	Complied

See accompanying note to supplementary information.

LITTLE LAKE CITY SCHOOL DISTRICT

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

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2018.

See accompanying note to supplementary information.

LITTLE LAKE CITY SCHOOL DISTRICT

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

	(Budget) 2019 ¹	2018	2017	2016
GENERAL FUND ³				
Revenues	\$ 51,093,610	\$ 49,879,206	\$ 47,715,482	\$ 47,724,600
Expenditures	50,972,322	48,358,538	46,581,310	44,548,545
Other uses and transfers out	25,000	1,347,038	1,826	451,601
Total Expenditures and Other Uses	50,997,322	49,705,576	46,583,136	45,000,146
INCREASE IN FUND BALANCE	\$ 96,288	\$ 173,630	\$ 1,132,346	\$ 2,724,454
ENDING FUND BALANCE	\$ 9,864,817	\$ 9,768,529	\$ 9,594,899	\$ 8,462,553
AVAILABLE RESERVES ²	\$ 6,593,567	\$ 5,484,426	\$ 5,535,298	\$ 3,551,281
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	12.93%	11.03%	11.88%	7.89%
LONG-TERM OBLIGATIONS ⁴	N/A	\$ 50,181,498	\$ 50,816,308	\$ 47,824,975
K-12 AVERAGE DAILY ATTENDANCE AT P-2	4,272	4,275	4,270	4,256

The General Fund balance has increased by \$1,305,976 over the past two years. The fiscal year 2018-2019 budget projects a further increase of \$96,288 (1.0 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 each of the past three years and anticipates incurring an operating surplus during the 2018-2019 fiscal year. Total long-term obligations have increased by \$2,356,523 over the past two years.

Average daily attendance has increased by 19 over the past two years. A decline of 3 ADA is anticipated during fiscal year 2018-2019.

¹ Budget 2019 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 General Fund amounts do not include activity related to the consolidation of the Fund 14, Deferred Maintenance Fund as required by GASB Statement No. 54.

⁴ Long-Term obligations have been restated for the fiscal year ending June 30, 2017 due to the implementation of GASB Statement No. 75.

See accompanying note to supplementary information.

LITTLE LAKE CITY SCHOOL DISTRICT

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

	Cafeteria Fund	Building Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	\$ 350,098	\$ -	\$ 1,340,264
Receivables	579,178	194	7,370
Stores inventories	17,541	-	-
Total Assets	\$ 946,817	\$ 194	\$ 1,347,634
LIABILITIES AND FUND BALANCES			
Liabilities:			
Overdrafts	\$ -	\$ 194	\$ -
Accounts payable	91,487	-	73,133
Total Liabilities	91,487	194	73,133
Fund Balances:			
Nonspendable	17,541	-	-
Restricted	837,789	-	1,274,501
Total Fund Balances	855,330	-	1,274,501
Total Liabilities and Fund Balances	\$ 946,817	\$ 194	\$ 1,347,634

See accompanying note to supplementary information.

County School Facilities Fund	Debt Service Fund	Total Non-Major Governmental Funds
\$ 680,635	\$ 6,081	\$ 2,377,078
3,765	34	590,541
-	-	17,541
<u>\$ 684,400</u>	<u>\$ 6,115</u>	<u>\$ 2,985,160</u>
-	-	194
-	-	164,620
<u>-</u>	<u>-</u>	<u>164,814</u>
-	-	17,541
684,400	6,115	2,802,805
<u>684,400</u>	<u>6,115</u>	<u>2,820,346</u>
<u>\$ 684,400</u>	<u>\$ 6,115</u>	<u>\$ 2,985,160</u>

LITTLE LAKE CITY SCHOOL DISTRICT

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

	Cafeteria Fund	Building Fund	Capital Facilities Fund
REVENUES			
Federal sources	\$ 2,021,806	\$ -	\$ -
Other State sources	141,935	-	-
Other local sources	478,601	11,788	173,846
Total Revenues	<u>2,642,342</u>	<u>11,788</u>	<u>173,846</u>
EXPENDITURES			
Current			
Pupil services:			
Food services	2,552,759	-	-
Administration:			
All other administration	124,595	-	-
Plant services	4,416	-	-
Facility acquisition and construction	-	2,678,025	141,215
Total Expenditures	<u>2,681,770</u>	<u>2,678,025</u>	<u>141,215</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(39,428)</u>	<u>(2,666,237)</u>	<u>32,631</u>
Other Financing Sources			
Transfers in	4,505	-	-
NET CHANGE IN FUND BALANCES	(34,923)	(2,666,237)	32,631
Fund Balances - Beginning	890,253	2,666,237	1,241,870
Fund Balances - Ending	<u>\$ 855,330</u>	<u>\$ -</u>	<u>\$ 1,274,501</u>

See accompanying note to supplementary information.

County School Facilities Fund	Debt Service Fund	Total Non-Major Governmental Funds
\$ -	-	\$ 2,021,806
-	-	141,935
10,556	94	674,885
<u>10,556</u>	<u>94</u>	<u>2,838,626</u>
-	-	2,552,759
-	-	124,595
-	-	4,416
-	-	2,819,240
<u>-</u>	<u>-</u>	<u>5,501,010</u>
<u>10,556</u>	<u>94</u>	<u>(2,662,384)</u>
-	-	4,505
<u>10,556</u>	<u>94</u>	<u>(2,657,879)</u>
673,844	6,021	5,478,225
<u>\$ 684,400</u>	<u>\$ 6,115</u>	<u>\$ 2,820,346</u>

LITTLE LAKE CITY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Medi-Cal Billing Option and Medi-Cal Administrative Activities funds. Medi-Cal Administrative Activities funds have been recorded in the current period as revenues that have not been expended as of June 30, 2018. These unspent balances are reported as legally restricted ending balances within the General Fund. Medi-Cal Billing Option funds were recorded as revenues in the previous period but were unspent. This unspent balance has been expended in the current period. In addition, the District received Qualified School Construction Bonds - Interest Subsidy funds which are not required to be reported on the Schedule of Federal Expenditure Awards.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 4,290,259
Medi-Cal Billing Option	93.778	15,000
Medi-Cal Administrative Activities	93.778	(70,262)
QSCB Bond Interest Subsidy	N/A	(404,235)
Total Schedule of Expenditures of Federal Awards		<u>\$ 3,830,762</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.

LITTLE LAKE CITY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

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 1986-1987 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

INDEPENDENT AUDITOR'S REPORTS



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

Governing Board
Little Lake City School District
Santa Fe Springs, 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 Little Lake City School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Little Lake City School District's basic financial statements, and have issued our report thereon dated November 7, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Little Lake City 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 Little Lake City School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Little Lake City School District's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Little Lake City School District in a separate letter dated November 7, 2018.

Purpose of This Report

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

Vavrinch, Train, De & Co, LLP

Rancho Cucamonga, California
November 7, 2018



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

Governing Board
Little Lake City School District
Santa Fe Springs, California

Report on Compliance for Each Major Federal Program

We have audited Little Lake City School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Little Lake City School District's major Federal programs for the year ended June 30, 2018. Little Lake City School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Little Lake City 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, 2018.

Report on Internal Control Over Compliance

Management of Little Lake City 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 Little Lake City School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Little Lake City School District's internal control over compliance.

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

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

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

Vavrieh, Train, De & Co, LLP

Rancho Cucamonga, California
November 7, 2018



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

VALUE THE *difference*

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Little Lake City School District
Santa Fe Springs, California

Report on State Compliance

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Little Lake City 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 *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Little Lake City 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 Little Lake City School District's compliance with those requirements.

Basis for Qualified Opinion on Unduplicated Local Control Funding Formula Pupil Counts

As described in the accompanying schedule of findings and questioned costs, Little Lake City School District did not comply with requirements regarding Unduplicated Local Control Funding Formula Pupil Counts as identified in finding 2018-001. Compliance with such requirements is necessary, in our opinion, for Little Lake City School District to comply with the requirements applicable to that program.

Qualified Opinion on Unduplicated Local Control Funding Formula Pupil Counts

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

Unmodified Opinion on Each of the Other Programs

In our opinion, Little Lake City 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, 2018, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

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

	Procedures Performed
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below

CHARTER SCHOOLS

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

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

The District does not offer a Continuation Education Program; therefore, we did not perform procedures related to the Continuation Education Attendance Program.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.

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

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

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

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

Vavriach, Train, Dwyer & Co., LLP

Rancho Cucamonga, California
November 7, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LITTLE LAKE CITY SCHOOL DISTRICT

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

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major Federal programs:

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

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

STATE AWARDS

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

<u>Name of State Program</u>
Unduplicated Local Control Funding Formula Pupil Counts

LITTLE LAKE CITY SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

LITTLE LAKE CITY SCHOOL DISTRICT

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

None reported.

LITTLE LAKE CITY SCHOOL DISTRICT

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

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

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

2018-001 40000

Criteria or Specific Requirements

California *Education Code* Section 42238.02(b)(4) states school districts should revise their submitted data on English learners, foster youth, and free or reduced-price meal eligible pupil counts to ensure the accuracy of data reflected in the California Longitudinal Pupil Achievement Data System (CALPADS).

Condition

The Unduplicated Local Control Funding Formula (LCFF) Pupil Counts submitted to the California Department of Education was inaccurate. It appears that the District inaccurately reported 12 students as having designation of free or reduced on the "1.18 – FRPM/English Learner/Foster Youth– Student List" report.

Questioned Costs

The District over claimed the total eligible pupils by 21, resulting in a decrease of approximately \$15,690 in Local Control Funding Formula (LCFF) funding.

Context

The condition was identified as a result of selecting a sample of students from the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report in accordance to the 2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, Section 19489(a)(1). The initial sample was selected from three school sites, which resulted in exception noted for one of the sites. For 40 students selected, one had its status changed to Paid after Verification process performed by the Nutrition Services Department. The auditor requested that the District identify all remaining students who had their status changed to Paid due to the verification process. The District's review of all remaining students resulted in total of 21 students identified that were incorrectly designated as having free or reduced status on the "1.18 – FRPM/English Learner/Foster Youth – Student List" report.

LITTLE LAKE CITY SCHOOL DISTRICT

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

Effect

As a result of our testing, it appears that the District did not properly update the 1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report to align the reporting with the most current free and reduced eligibility information from the District's Nutrition Services Department. The following schedule identifies the exceptions by the site and District-wide.

	Enrollment Count	Certified Total Unduplicated Count	Adjustment by Auditor	Adjusted Total Unduplicated Pupil Count
Total District-wide	4,392	3,201	(21)	3,180

Cause

The primary cause appears to originate from the District not revising their submitted free or reduced-price meal eligible pupil count after the completion of the Verification process conducted by the Nutrition Service Department.

Recommendation

The District should emphasize the importance of completing Form 1.18 accurately, which would include ensuring that all changes are accurately and timely updated based on new eligibility documentation received. In addition, the District should identify and evaluate key CALPADS calendar dates to ensure that appropriate and necessary measure are taking place to ensure that CALPADS information is being updated.

Corrective Action Plan

The District's personnel have implemented additional procedures to reconcile data between the Nutrikids software and PowerSchool. This will eliminate the error that triggered the condition identified and potentially any other reporting errors for the Form 1.18.

LITTLE LAKE CITY SCHOOL DISTRICT

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

There were no audit findings reported in the prior year's schedule of financial statement findings.



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

VALUE THE *difference*

Governing Board
Little Lake City School District
Santa Fe Springs, California

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

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated November 7, 2018, on the government-wide financial statements of the District.

ASSOCIATE STUDENT BODY

Lakeside Middle School

Observations

During our review of the associated student body procedures, the following was noted:

1. Cash collected by teachers and ASB advisors are not accounted for properly. Cash collections are not supported by sub-receipts or logs that agree to the total on the cash count sheet. Two of the four deposits tested did not have sufficient support or a paper trail; therefore the auditor was unable to confirm if these deposits were intact.
2. ASB disbursements were being made without explicit receiving documentation for goods being ordered, such as a dated signature. As a result, four of the eight invoices were paid without the direct knowledge of whether or not the goods being ordered have been received by the ASB.
3. A master ticket log is not being used by the site to account for all tickets on hand and used during the year. It was noted that two of the five tickets tested are not accounted for on a master ticket log.
4. A ticket sales recap form is not prepared and submitted with the remaining ticket roll and cash collections to the bookkeeper.
5. Revenue potential forms are not consistently being completed for fundraising events. In addition, it was noted that revenue potential forms used for fundraising events were not completed with respect to anticipated and/or actual income and expense. As a result, expected versus actual results cannot be measured to determine whether or not the fundraiser was successful or any losses have occurred.

Recommendation

1. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the students name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for ASB events. Teachers and Administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
2. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.
3. A master ticket log should be maintained which notes the type of ticket, color, and current beginning ticket number in the role. The tickets should be safeguarded as if they were cash because stolen tickets would equate to lost revenue for the site because these tickets could be presented for admission rather than an individual paying for admission. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the form should be reconciled to the log.
4. A ticket sales recap form serves the purpose of calculating revenues based on the number of tickets sold and the price per ticket. The recap should be reconciled to the cash deposit forwarded to the bookkeeper. This procedure documents overages and shortages of cash and informs site personnel about potential problems in cash collections. The forms should be filed along with the deposit form and other pertinent documents.
5. Revenue potentials should be prepared completely to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the expected results section of the revenue potential, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future.

Jersey Elementary School

Observation

During our review of the associated student body procedures, the following was noted:

1. Based on the review of the disbursement procedures it was noted that two of 15 expenditures were not adequately supported by an invoice.
2. Revenue potential forms are not being used to document and control fund-raising activities as they occur. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

Recommendation

1. The site should maintain proper documentation of expenditures including invoices and receipts. All disbursement requests should be supported by adequate invoices prior to the checks being issued. This will identify and prevent potential misappropriation of ASB funds.
2. Revenue potentials should be prepared completely to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the expected results section of the revenue potential, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future.

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

Vavrinch, Train, Dwyer Co, LLP

Rancho Cucamonga, California
November 7, 2018