

LITTLE LAKE CITY SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

LITTLE LAKE CITY SCHOOL DISTRICT

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FINANCIAL SECTION



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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Emphasis of Matter – Correction of an Error

As discussed in Note 16 to the financial statement, certain items that occurred in the prior year net position and fund balance have been restated to more accurately reflect the substance of the underlying transactions. 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 14, budgetary comparison schedule on page 64, schedule of other postemployment benefits funding progress on page 65, schedule of the District's proportionate share of the net pension liability on page 66, and the schedule of District contributions on page 67, 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* and the other supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 14, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Little Lake City School District's internal control over financial reporting and compliance.

Vannink, Tai, Day & Co., LLP

Rancho Cucamonga, California
November 14, 2016



Little Lake City School District

Where Kids Are #1

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

Board of Education

George Buchanan

Richard Martinez

Janet Rock

Dora Sandoval

Hilda Zamora

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, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Superintendent

William Crean, Ed.D.

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, 2016

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, 2016

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, 2016

THE DISTRICT AS A WHOLE

Net Position

The District's net position was (\$9,342,166) for the fiscal year ended June 30, 2016. Of this amount, (\$28,381,738) 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	
	2016	as Restated 2015
ASSETS		
Current and other assets	\$ 31,084,683	\$ 21,327,131
Capital assets	46,888,424	40,899,426
Total Assets	77,973,107	62,226,557
DEFERRED OUTFLOWS OF RESOURCES	7,992,834	2,173,147
LIABILITIES		
Current liabilities	7,993,489	6,735,023
Long-term obligations	47,824,975	35,843,899
Aggregate net pension liability	32,830,774	26,413,343
Total Liabilities	88,649,238	68,992,265
DEFERRED INFLOWS OF RESOURCES	6,658,869	7,161,923
NET POSITION		
Net investment in capital assets	11,609,418	9,394,525
Restricted	7,430,154	11,376,869
Unrestricted deficit	(28,381,738)	(32,525,878)
Total Net Position	\$ (9,342,166)	\$ (11,754,484)

The (\$28,381,738) 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, increased by \$4,144,140 or 12.7 percent (\$28,381,738) compared to (\$32,525,878).

LITTLE LAKE CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 16. 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>2016</u>	<u>2015</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,191,415	\$ 1,175,086
Operating grants and contributions	8,136,434	6,911,421
General revenues:		
Federal and State aid not restricted	34,369,510	29,359,682
Property taxes	8,826,342	8,323,419
Other general revenues	1,409,300	1,009,512
Total Revenues	<u>53,933,001</u>	<u>46,779,120</u>
Expenses		
Instruction-related	35,126,887	30,061,079
Pupil services	5,328,491	4,603,438
Administration	3,370,175	2,931,335
Maintenance and operations	3,488,704	4,071,337
Other	4,206,426	3,533,194
Total Expenses	<u>51,520,683</u>	<u>45,200,383</u>
Change in Net Position	<u>\$ 2,412,318</u>	<u>\$ 1,578,737</u>

As shown above, the District incurred a change in net position equaling \$2,412,318. The noteworthy changes result from the District managing expenses to be in relationship to revenue received.

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was \$51,520,683, an increase of \$6,320,300, or 14.0 percent over the prior year. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$8,826,342 because the cost paid by those who benefited from programs was \$1,191,415, and by other governments and organizations who subsidized certain programs with grants and contributions was \$8,136,434. We paid for the remaining "public benefit" portion of our governmental activities with \$34,369,510 from Federal and State unrestricted funds and \$1,409,300 from other revenue sources, such as interest and general entitlements.

LITTLE LAKE CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

In Table 3, we have presented the cost and net cost of each of the District's largest functions: regular program instruction, including special instruction programs and other instruction-related programs, student support services, including student transportation and school food services, administration, maintenance and operations, and all other remaining functional costs. 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

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Instruction-related	\$ 35,126,887	\$ 30,061,079	\$ 28,857,757	\$ 25,039,159
Pupil services	5,328,491	4,603,438	2,589,521	2,058,467
Administration	3,370,175	2,931,335	3,173,729	2,764,071
Maintenance and operations	3,488,704	4,071,337	3,484,252	4,091,806
Other	4,206,426	3,533,194	4,087,575	3,160,373
Total	\$ 51,520,683	\$ 45,200,383	\$ 42,192,834	\$ 37,113,876

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$23,990,862, which is an increase of \$8,102,085, or 51.0 percent, from last year. An itemized chart is provided below labeled as Table 4.

Table 4

	Balances and Activity			
	as Restated July 1, 2015	Revenues	Expenditures	June 30, 2016
General Fund	\$ 5,778,993	\$ 47,924,745	\$ 45,000,146	\$ 8,703,592
Building Fund	860,678	12,077,167	5,316,826	7,621,019
Bond Interest and Redemption Fund	4,212,244	3,362,868	3,211,561	4,363,551
Cafeteria Fund	815,198	2,704,008	2,636,900	882,306
Capital Facilities Fund	3,198,297	491,923	2,724,782	965,438
County School Facilities Fund	661,298	5,214	-	666,512
Special Reserve Fund for Capital Outlay Projects	356,160	426,329	-	782,489
Debt Service Fund	5,909	46	-	5,955
Total	\$ 15,888,777	\$ 66,992,300	\$ 58,890,215	\$ 23,990,862

LITTLE LAKE CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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 \$2.9 million primarily due to receiving \$2.3 million one-time funds for Outstanding Mandated Claims.
- 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 increased by \$6.7 million. This is mainly attributable to the passage of Bond Measure EE. Bond proceeds of \$12.0 million were received during the 2015-2016 fiscal year and deposited into the Building Fund. Furthermore, a total of \$5.3 million of expenditures were incurred due to facility modernization projects.
- The Capital Facilities Fund is used to account for monies received from fees levied on developers or other agencies. Expenditures are restricted to the purposes specified in Government Code or to the items specified in agreements with developers. The Capital Facilities Fund decreased by \$2.2 million due to expenditures incurred related to field modernization projects.
- 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 \$0.4 million due to one-time monies received from the California Department of Transportation for eminent domain of district owned property required to extend the 5 freeway.
- The Fund balances in the Bond Interest and Redemption Fund, Cafeteria Fund, County School Facilities Fund and Debt Service Fund remained fairly stable from the prior year, showing a net increase of approximately \$0.3 million.

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 28, 2016. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 64).

The anticipated ending balance for the General Fund was projected at \$7.8 million, based on final budgetary revisions through June 30, 2016. Based on year-end totals, the ending fund balance was \$8.4 million, reflecting an increase of \$0.6 million over earlier projections. The increase in reserves is mainly attributed to the following unforeseen items:

- The District received an increase in Special Education funding in the amount of \$0.2 million due to a prior year adjustment.
- Due to an increase in the LCFF GAP percentage, the District received an additional \$0.1 million for LCFF funding.
- One-time savings of \$0.1 million for unspent school site supplies and materials budgets.
- One-time savings of \$0.1 million for unspent Supplemental & Concentration funds.
- One-time savings of \$0.1 million for utilities (water & internet).

LITTLE LAKE CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had \$46,888,424 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 \$5,988,998, or 14.6 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	
	2016	2015
Land and construction in progress	\$ 5,441,870	\$ 2,427,472
Buildings and improvements	41,253,658	38,247,774
Furniture and equipment	192,896	224,180
Total	\$ 46,888,424	\$ 40,899,426

The District completed modernization projects at various schools totaling \$4,826,558 in the 2015-2016 year. We present more detailed information about our capital assets in Note 5 to the financial statements.

Long-Term Obligations

At the end of this year, the District had \$47,824,975 in long-term obligations outstanding versus \$35,843,899 last year, an increase of 33.4 percent. Those obligations consisted of:

Table 6

	Governmental Activities	
	2016	as Restated 2015
General obligation bonds (net of unamortized premiums)	\$ 43,652,465	\$ 32,102,865
Other postemployment benefits	3,559,653	3,072,455
Compensated absences (vacations)	215,186	135,144
Early retirement incentives	397,671	533,435
Total	\$ 47,824,975	\$ 35,843,899

Net Pension Liability (NPL)

At year-end, the District had a net pension liability of \$32,830,774, as a result of the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

LITTLE LAKE CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2016-2017 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

- LCFF Revenue is budgeted at \$8,939 per ADA, comprised of zero percent cost-of-living adjustment, 72.88 Unduplicated Pupil Percentage and 54.84 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 4,176. Due to projected enrollment decline, the District will be funded on the prior year P2 ADA of 4,232.
 - LCFF income is budgeted at \$37.8 million, an increase of \$1.2 million, or 3.3 percent from the prior year. This included property tax revenue budgeted at \$4.8 million and EPA revenue budgeted at \$5.3 million.
- Federal Income is budgeted at \$1.6 million. No major differences are reflected from 2015-2016 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 \$3.8 million, a decrease of \$2.4 million from prior year unaudited actuals. The decrease is primarily due to a reduction in funding from the following programs:
 - A reduction of \$1.3 million for one-time funds for Outstanding Mandated Claims.
 - A reduction of \$0.3 million for one-time funds for the Educator Effectiveness program.
 - A reduction of \$0.3 million for one-time funds for State Mental Health funds.
- Other Local Revenue is budgeted at \$3.2 million, a decrease of \$0.4 from prior year. The decrease is primarily due to reduction in funding from the following programs:
 - A reduction of \$0.2 million for one-time funds for the Microsoft Voucher program.
 - A reduction of \$0.2 million for one-time allocation of funds for Special Education.

The key assumptions in our expenditure forecast are:

- Certificated and classified salaries and benefits total 82 percent of total expenditures. Certificated and classified salaries total \$27.4 million, an increase of \$1.8 million, or 7.0 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	2,801
Grades four through eight	33:1	1,425

LITTLE LAKE CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

Salary projections include the following:

- Negotiations for the 2015-2016 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 \$0.3 million.
- Employee benefits are budgeted at \$10.9 million, and include statutory benefits for all positions as follows: (STRS 12.58 percent, PERS 13.888 percent, OASDI 6.2 percent, Medicare 1.45 percent, SUI 0.05 percent, and Workers Compensation 2.48 percent. STRS and PERS rates reflect increases from previous years which were 10.73 and 11.847 percent, respectively. Future increases are scheduled to be phased-in through 2020-2021 to eliminate the outstanding liabilities. These increased employer contributions for STRS and PERS are estimated to impact multi-year projections by over \$1.06 million through 2018-2019.
- \$8.5 million, or 18 percent of the total General Fund operating budget is allocated for books and supplies (\$1.5 million), other operating expenses and services (\$6.8 million), and other outgo and uses (\$0.2 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, 2016

	Governmental Activities
ASSETS	
Deposits and investments	\$ 28,226,028
Receivables	2,825,189
Prepaid expenses	2,450
Stores inventories	31,016
Capital assets	
Land and construction in process	5,441,870
Other capital assets	65,910,197
Less: Accumulated depreciation	(24,463,643)
Total Capital Assets	<u>46,888,424</u>
Total Assets	<u>77,973,107</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	<u>7,992,834</u>
 LIABILITIES	
Accounts payable	6,962,443
Interest payable	899,668
Unearned revenue	131,378
Long-term obligations	
Current portion of long-term obligations other than pensions	1,816,740
Noncurrent portion of long-term obligations other than pensions	46,008,235
Total Long-Term Obligations	<u>47,824,975</u>
Aggregate net pension liability	<u>32,830,774</u>
Total Liabilities	<u>88,649,238</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>6,658,869</u>
 NET POSITION	
Net investment in capital assets	11,609,418
Restricted for:	
Debt service	3,469,838
Capital projects	1,631,950
Educational programs	1,477,076
Other restrictions	851,290
Unrestricted deficit	(28,381,738)
Total Net Position	<u>\$ (9,342,166)</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, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 30,932,892	\$ 771,297	\$ 5,007,117	\$ (25,154,478)
Instruction-related activities:				
Supervision of instruction	1,299,209	46,496	360,007	(892,706)
Instructional library, media, and technology	253,543	-	4,699	(248,844)
School site administration	2,641,243	-	79,514	(2,561,729)
Pupil services:				
Home-to-school transportation	1,027,157	-	-	(1,027,157)
Food services	2,541,269	300,020	2,074,967	(166,282)
All other pupil services	1,760,065	15,858	348,125	(1,396,082)
Administration:				
Data processing	685,544	-	6,394	(679,150)
All other administration	2,684,631	15,279	174,773	(2,494,579)
Plant services	3,488,704	562	3,890	(3,484,252)
Enterprise services	7,747	-	-	(7,747)
Interest on long-term obligations	1,788,409	-	-	(1,788,409)
Other outgo	551,002	41,903	76,948	(432,151)
Depreciation (unallocated)	1,859,268	-	-	(1,859,268)
Total Governmental Activities	\$ 51,520,683	\$ 1,191,415	\$ 8,136,434	(42,192,834)
General revenues and subventions:				
				5,811,324
				2,411,121
				603,897
				34,369,510
				120,398
				1,288,902
				<u>44,605,152</u>
				Change in Net Position
				2,412,318
				(11,754,484)
				<u>\$ (9,342,166)</u>

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

LITTLE LAKE CITY SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

FOR THE YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Deposits and investments	\$ 12,117,563	\$ 8,523,514	\$ 4,363,551	\$ 3,221,400	\$ 28,226,028
Receivables	2,024,055	27,160	-	773,974	2,825,189
Prepaid expenditures	2,450	-	-	-	2,450
Stores inventories	-	-	-	31,016	31,016
Total Assets	<u>\$ 14,144,068</u>	<u>\$ 8,550,674</u>	<u>\$ 4,363,551</u>	<u>\$ 4,026,390</u>	<u>\$ 31,084,683</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 5,309,098	\$ 929,655	\$ -	\$ 723,690	\$ 6,962,443
Unearned revenue	131,378	-	-	-	131,378
Total Liabilities	<u>5,440,476</u>	<u>929,655</u>	<u>-</u>	<u>723,690</u>	<u>7,093,821</u>
Fund Balances:					
Nonspendable	7,450	-	-	31,016	38,466
Restricted	1,477,076	7,621,019	4,363,551	2,619,195	16,080,841
Assigned	3,667,785	-	-	652,489	4,320,274
Unassigned	3,551,281	-	-	-	3,551,281
Total Fund Balances	<u>8,703,592</u>	<u>7,621,019</u>	<u>4,363,551</u>	<u>3,302,700</u>	<u>23,990,862</u>
Total Liabilities and Fund Balances	<u>\$ 14,144,068</u>	<u>\$ 8,550,674</u>	<u>\$ 4,363,551</u>	<u>\$ 4,026,390</u>	<u>\$ 31,084,683</u>

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 JUNE 30, 2016

Total Fund Balance - Governmental Funds	\$ 23,990,862
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:	\$ 71,352,067
Accumulated depreciation is:	<u>(24,463,643)</u>
Net Capital Assets	46,888,424
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis. 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.	2,709,799
The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected remaining service life of members receiving pension benefits.	(899,668)
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.	1,460,947
The differences between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.	(2,368,906)
The changes of assumptions is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.	(68,439)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	(399,436)
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.	(32,830,774)
Long-term obligations at year-end consist of the following:	
General obligation bonds	(42,404,901)
Unamortized premium on bonds issuance	(495,124)
Other postemployment benefits	(3,559,653)
Compensated absences (vacations)	(215,186)
Early retirement incentives	(397,671)
In addition, the District has issued "capital appreciation" general obligation bonds. The accretion of interest on the general obligation bonds to date is:	<u>(752,440)</u>
Total Long-Term Obligations	(47,824,975)
Total Net Position - Governmental Activities	<u><u>\$ (9,342,166)</u></u>

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, 2016

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Local Control Funding Formula	\$ 36,591,234	\$ -	\$ -	\$ -	\$ 36,591,234
Federal sources	1,567,885	-	403,369	2,061,896	4,033,150
Other State sources	6,137,118	-	21,154	148,669	6,306,941
Other local sources	3,628,508	77,167	2,422,591	965,354	7,093,620
Total Revenues	47,924,745	77,167	2,847,114	3,175,919	54,024,945
EXPENDITURES					
Current					
Instruction	30,691,114	-	-	-	30,691,114
Instruction-related activities:					
Supervision of instruction	1,282,003	-	-	-	1,282,003
Instructional library, media, and technology	247,259	-	-	-	247,259
School site administration	2,598,851	-	-	-	2,598,851
Pupil services:					
Home-to-school transportation	1,027,157	-	-	-	1,027,157
Food services	-	-	-	2,513,458	2,513,458
All other pupil services	1,734,859	-	-	-	1,734,859
Administration:					
Data processing	676,695	-	-	-	676,695
All other administration	2,533,584	-	-	119,059	2,652,643
Plant services	3,410,303	-	-	4,383	3,414,686
Facility acquisition and construction	-	5,164,826	-	2,724,782	7,889,608
Other outgo	339,005	152,000	59,997	-	551,002
Enterprise services	7,715	-	-	-	7,715
Debt service					
Principal	-	-	1,580,000	-	1,580,000
Interest and other	-	-	1,571,564	-	1,571,564
Total Expenditures	44,548,545	5,316,826	3,211,561	5,361,682	58,438,614
Excess (Deficiency) of Revenues Over Expenditures	3,376,200	(5,239,659)	(364,447)	(2,185,763)	(4,413,669)
Other Financing Sources (Uses)					
Transfers in	-	-	-	451,601	451,601
Other sources - proceeds from issuance of general obligation bonds	-	12,000,000	-	-	12,000,000
Other sources - premium on issuance of general obligation bonds	-	-	515,754	-	515,754
Transfers out	(451,601)	-	-	-	(451,601)
Net Financing Sources (Uses)	(451,601)	12,000,000	515,754	451,601	12,515,754
NET CHANGE IN FUND BALANCES	2,924,599	6,760,341	151,307	(1,734,162)	8,102,085
Fund Balances - Beginning	5,778,993	860,678	3,732,244	5,036,862	15,408,777
Prior Period Adjustment	-	-	480,000	-	480,000
Fund Balances - Ending	\$ 8,703,592	\$ 7,621,019	\$ 4,363,551	\$ 3,302,700	\$ 23,990,862

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 FOR THE YEAR ENDED JUNE 30, 2016

Total Net Change in Fund Balances - Governmental Funds	\$ 8,102,085
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
<p>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.</p> <p>This is the amount by which capital outlay exceeds depreciation expense in the period.</p>	
Capital outlays	\$ 7,848,266
Depreciation expense	<u>(1,859,268)</u>
Net Expense Adjustment	5,988,998
<p>Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. However, the difference between the annual required contribution and the actual contribution made, if less, is recorded in the government-wide financial statements as an expense. The actual amount of the contribution was less than the annual OPEB cost by \$487,198.</p>	
	(487,198)
<p>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 \$135,764. Vacation earned was more than the amounts paid by \$80,042.</p>	
	55,722
<p>Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities. This year the District issued general obligation bonds.</p>	
	(12,000,000)
<p>Governmental funds report the effects of premiums, discounts, issuance costs, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This year the District received premium on issuance of general obligation bonds.</p>	
	(515,754)
<p>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.</p>	
	(94,690)
<p>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:</p>	
General obligation bonds	1,580,000

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, 2016

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 \$20,630	\$ 20,630
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 increased by \$82,998 and second, \$154,476 of accumulated interest was accreted on the District's capital appreciation" general obligation bonds.	(237,475)
Change in Net Position of Governmental Activities	<u><u>\$ 2,412,318</u></u>

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

LITTLE LAKE CITY SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 141,951
Stores inventories	30,105
Total Assets	<u><u>\$ 172,056</u></u>
 LIABILITIES	
Due to student groups	<u><u>\$ 172,056</u></u>

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

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 4,382 K-8 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 \$241,039.

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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

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

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

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) 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.).

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).

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

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, 2016

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, 2016

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, 2016

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, 2016, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when 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, 2016

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

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, 2016

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 the current year pension contributions, the net change in proportionate share of net pension liability, the difference between projected and actual earnings on pension plan investments specific to the net pension liability, and the difference between expected and actual experience in the measurement of the total pension liability.

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 the net change in proportionate share of net pension liability, the difference between projected and actual earnings on pension plan investments specific to the net pension liability, the difference between expected and actual experience in the measurement of the total pension liability, and the changes of assumptions.

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.

Fund Balances - Governmental Funds

As of June 30, 2016, fund balances of the governmental funds are classified as follows:

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

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

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.

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.

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 \$7,430,154 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, 2016

Budgetary Data

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

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

Property Tax

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

Change in Accounting Principles

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

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

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

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

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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

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

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

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

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

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

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

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

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

New Accounting Pronouncements

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

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

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

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

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

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

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

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

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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

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

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

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

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

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

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	\$ 28,226,028
Fiduciary funds	141,951
Total Deposits and Investments	<u>\$ 28,367,979</u>

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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

Cash on hand and in banks	\$	142,251
Cash in revolving		5,000
Investments		28,220,728 *
Total Deposits and Investments	\$	<u>28,367,979</u>

*Amount includes restricted deposits in the amount of \$780,000 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.

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.

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

General Authorizations

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

<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.

Specific Identification

The District maintains an investment of \$28,220,728 with the Los Angeles County Investment Pool that has an average weighted maturity of 608 days.

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Los Angeles County Investment Pool is not required to be rated, nor has it been rated as of June 30, 2016.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public 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, 2016, the District's bank balance of \$387,778 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.

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.

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

The District's fair value measurements are as follows at June 30, 2016:

Investment Type	Fair Value	Uncategorized
Los Angeles County Investment Pool	\$ 28,220,728	\$ 28,220,728

NOTE 4 - RECEIVABLES

Receivables at June 30, 2016, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	\$ 911,704	\$ -	\$ 660,696	\$ 1,572,400
State Government				
Categorical aid	97,500	-	52,309	149,809
Lottery	479,797	-	-	479,797
Special education	440,534	-	-	440,534
Local Government				
Interest	26,975	27,160	12,856	66,991
Other Local Sources	67,545	-	48,113	115,658
Total	\$ 2,024,055	\$ 27,160	\$ 773,974	\$ 2,825,189

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 5 - CAPITAL ASSETS

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

	Balance, July 1, 2015	Additions	Deductions	Balance June 30, 2016
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 1,308,712	\$ -	\$ -	\$ 1,308,712
Construction in Progress	1,118,760	7,840,956	4,826,558	4,133,158
Total Capital Assets Not Being Depreciated	<u>2,427,472</u>	<u>7,840,956</u>	<u>4,826,558</u>	<u>5,441,870</u>
Capital Assets Being Depreciated:				
Land Improvements	2,781,348	-	-	2,781,348
Buildings and Improvements	55,748,325	4,826,558	-	60,574,883
Furniture and Equipment	2,546,656	7,310	-	2,553,966
Total Capital Assets Being Depreciated	<u>61,076,329</u>	<u>4,833,868</u>	<u>-</u>	<u>65,910,197</u>
Total Capital Assets	<u>63,503,801</u>	<u>12,674,824</u>	<u>4,826,558</u>	<u>71,352,067</u>
Less Accumulated Depreciation:				
Land Improvements	1,793,077	66,542	-	1,859,619
Buildings and Improvements	18,488,822	1,754,132	-	20,242,954
Furniture and Equipment	2,322,476	38,594	-	2,361,070
Total Accumulated Depreciation	<u>22,604,375</u>	<u>1,859,268</u>	<u>-</u>	<u>24,463,643</u>
Governmental Activities Capital Assets, Net	<u>\$ 40,899,426</u>	<u>\$ 10,815,556</u>	<u>\$ 4,826,558</u>	<u>\$ 46,888,424</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities

Unallocated	<u>\$ 1,859,268</u>
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LITTLE LAKE CITY SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 - INTERFUND TRANSACTIONS

Operating Transfers

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

Transfer To	Transfer From General Fund
Non-Major Governmental Funds	\$ 451,601

The General Fund transferred \$28,014 to the Cafeteria Non-Major Governmental Fund for negative student account balances.

The General Fund transferred \$423,587 to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects for CalTrans funding.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2016, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities
State principal apportionment	\$ 995,437	\$ -	\$ -	\$ 995,437
Supplies	104,112	2,705	167,274	274,091
Services	653,011	4,781	5,712	663,504
Construction	-	920,145	368,251	1,288,396
Salaries and benefits	3,213,217	2,024	63,817	3,279,058
Due to Whittier Union High School District	-	-	117,953	117,953
Due to other government	207,341	-	-	207,341
Other	135,980	-	683	136,663
Total	\$ 5,309,098	\$ 929,655	\$ 723,690	\$ 6,962,443

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 8 - UNEARNED REVENUE

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

	General Fund
Federal financial assistance	<u>\$ 131,378</u>

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2015 as Restated	Additions	Deductions	Balance June 30, 2016	Due in One Year
General Obligation Bonds	\$ 32,582,865	\$ 12,154,476	\$ 1,580,000	\$ 43,157,341	\$ 1,650,000
Premium on issuance	-	515,754	20,630	495,124	-
Compensated absences	135,144	80,042	-	215,186	-
Early retirement incentives	533,435	54,167	189,931	397,671	166,740
Other postemployment benefits	3,072,455	609,814	122,616	3,559,653	-
	<u>\$ 36,323,899</u>	<u>\$ 13,414,253</u>	<u>\$ 1,913,177</u>	<u>\$ 47,824,975</u>	<u>\$ 1,816,740</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, 2016

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2015			Bonds Outstanding June 30, 2016	
				Issued	Accreted	Redeemed	Issued	Accreted
1/12/2005	2025	2.50-5.50%	\$ 8,765,000	\$ 430,000	\$ -	\$ -	\$ 430,000	\$ -
12/1/2005	2030	3.75-4.15%	9,000,000	520,000	-	-	255,000	265,000
5/20/2010	2029	6.03-6.23%	999,901	1,597,865	-	154,476	-	1,752,341
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	4,675,000	-	-	285,000	4,390,000
10/9/2013	2043	3.00-5.00%	6,000,000	5,470,000	-	-	475,000	4,995,000
4/28/2014	2030	3.13-3.44%	6,325,000	6,210,000	-	-	75,000	6,135,000
4/28/2014	2025	3.13-3.44%	5,785,000	5,680,000	-	-	60,000	5,620,000
7/2/2015	2040	2.00-5.00%	12,000,000	-	12,000,000	-	-	12,000,000
				<u>\$ 32,582,865</u>	<u>\$ 12,000,000</u>	<u>\$ 154,476</u>	<u>\$ 1,580,000</u>	<u>\$ 43,157,341</u>

2005 Refunding General Obligations Bonds

On January 12, 2005, the District issued \$8,765,000 of the 2005 Refunding General Obligation Bonds. The refunding bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$8,987,827 (representing the principal amount of \$8,765,000 and premium of \$417,269, less cost of issuance of \$194,442). The bonds have a final maturity which occurs on July 1, 2025, with an interest rate of 2.50 percent to 5.50 percent. At June 30, 2016, the bonds have been fully defeased.

2006 General Obligation Bonds, Series C

On December 1, 2005, the District issued \$9,000,000 of the 2006 General Obligation Bonds, Series C. The Bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$9,399,599 (representing the principal amount of \$9,000,000 and the premium of \$574,299, less cost of issuance of \$174,700). The bonds have a final maturity to occur on July 1, 2016, with interest yields of 3.75 percent to 4.15 percent. Proceeds from the sale of the bonds will finance the repair, renovation and upgrading of certain District property and facilities and pay costs of issuance associated with the Bonds. At June 30, 2016, the principal balance outstanding was \$265,000.

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, 2016, the principal balance outstanding was \$1,752,341.

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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:

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$ 350,000
2018	395,000
2019	440,000
2020	480,000
2021	535,000
2022-2026	3,425,000
2027	1,595,000
Total	<u>\$ 7,220,000</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, 2016 was \$780,000. 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, 2016, the principal balance outstanding was \$8,000,000.

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, 2016, the principal balance outstanding was \$4,390,000.

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, 2016, the principal balance outstanding was \$4,995,000.

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. 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, 2016, the principal

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

outstanding was \$6,135,000.

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. 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, 2016, the principal outstanding was \$5,620,000.

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, 2016, the principal outstanding (including accretion) was \$12,000,000. Unamortized premium received on issuance was \$495,124.

Debt Service Requirements to Maturity

The bonds mature through 2044 as follows:

Fiscal Year	Principal		Interest	Total
	Including Accreted Interest To Date	Accreted Interest		
2017	\$ 1,650,000	\$ -	\$ 1,773,393	\$ 3,423,393
2018	1,245,000	-	1,708,045	2,953,045
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
2022-2026	8,555,000	-	6,950,776	15,505,776
2027-2031	15,672,341	3,547,659	3,335,939	22,555,939
2032-2036	4,210,000	-	2,141,309	6,351,309
2037-2041	6,290,000	-	1,054,050	7,344,050
2042-2044	1,370,000	-	106,500	1,476,500
Total	<u>\$ 43,157,341</u>	<u>\$ 3,547,659</u>	<u>\$ 21,927,426</u>	<u>\$ 68,632,426</u>

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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, 2016, the remaining balance of the combined obligations associated with the District's supplemental retirement plans was \$397,671.

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2016, amounted to \$215,186.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2016, was \$651,242, and contributions made by the District during the year were \$122,616. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$153,623 and \$(195,051), respectively, which resulted in an increase to the net OPEB obligation of \$487,198. As of June 30, 2016, the net OPEB obligation was \$3,559,653. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 10 - FUND BALANCES

Fund balances with are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000
Stores inventories	-	-	-	31,016	31,016
Prepaid expenditures	2,450	-	-	-	2,450
Total Nonspendable	<u>7,450</u>	<u>-</u>	<u>-</u>	<u>31,016</u>	<u>38,466</u>
Restricted					
Legally restricted programs	1,477,076	-	-	981,290	2,458,366
Capital projects	-	7,621,019	-	1,631,950	9,252,969
Debt services	-	-	4,363,551	5,955	4,369,506
Total Restricted	<u>1,477,076</u>	<u>7,621,019</u>	<u>4,363,551</u>	<u>2,619,195</u>	<u>16,080,841</u>
Assigned					
Future capital projects	-	-	-	652,489	652,489
Deferred maintenance program	241,039	-	-	-	241,039
Site attendance carryover	15,196	-	-	-	15,196
Site donation carryover	66,010	-	-	-	66,010
Site lost book fees carryover	1,310	-	-	-	1,310
S&C carryover	374,573	-	-	-	374,573
MAA funds	100,804	-	-	-	100,804
Teacher technology replacement	260,000	-	-	-	260,000
Pupil technology replacement	1,408,853	-	-	-	1,408,853
Textbook adoption	1,000,000	-	-	-	1,000,000
Vehicle and equipment replacement	150,000	-	-	-	150,000
Lakeview fence project	50,000	-	-	-	50,000
Total Assigned	<u>3,667,785</u>	<u>-</u>	<u>-</u>	<u>652,489</u>	<u>4,320,274</u>
Unassigned					
Reserve for economic uncertainties	3,551,281	-	-	-	3,551,281
Total	<u>\$ 8,703,592</u>	<u>\$ 7,621,019</u>	<u>\$ 4,363,551</u>	<u>\$ 3,302,700</u>	<u>\$ 23,990,862</u>

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

Plan Description

The Postemployment Benefits Plan provides medical, dental, and vision insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 78 retirees and beneficiaries currently receiving benefits, and 342 active Plan members.

Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District, Little Lake Education Association, and California School Employees Association. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2015-2016, the District contributed \$122,616 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 651,242
Interest on net OPEB obligation	153,623
Adjustment to annual required contribution	<u>(195,051)</u>
Annual OPEB cost (expense)	609,814
Contributions made	<u>(122,616)</u>
Increase in net OPEB obligation	487,198
Net OPEB obligation, beginning of year	<u>3,072,455</u>
Net OPEB obligation, end of year	<u><u>\$ 3,559,653</u></u>

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2014	\$ 513,380	\$ 76,459	14.89%	\$ 2,582,106
2015	594,172	103,823	17.47%	3,072,455
2016	609,814	122,616	20.11%	3,559,653

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2015	\$ -	\$ 5,964,781	\$ 5,964,781	0.00%	\$ 24,716,585	24.13%

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

Actuarial Methods and Assumptions

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

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

In the July 1, 2015, actuarial valuation, the unit credit cost method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial eight percent to an ultimate rate of five percent. The cost trend rate used for the Dental and Vision programs was five percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2016, was 23 years. The actuarial value of assets was not determined in this actuarial valuation since there were no assets.

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, 2016, 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 2016, 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, 2016

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2016, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<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	\$ 26,329,829	\$ 5,941,512	\$ 4,660,830	\$ 2,326,887
CalPERS	6,500,945	2,051,322	1,998,039	477,603
Total	<u>\$ 32,830,774</u>	<u>\$ 7,992,834</u>	<u>\$ 6,658,869</u>	<u>\$ 2,804,490</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:
<http://www.calstrs.com/member-publications>.

Benefits Provided

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

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the District's total contributions were \$2,097,727.

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	\$ 26,329,829
State's proportionate share of the net pension liability associated with the District	13,925,577
Total	<u>\$ 40,255,406</u>

The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively, was 0.0391 percent and 0.0363 percent, resulting in a net increase in the proportionate share of 0.0028 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$2,326,887. In addition, the District recognized pension expense and revenue of \$1,078,692 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,097,727	\$ -
Net change in proportionate share of net pension liability	1,769,241	-
Difference between projected and actual earnings on pension plan investments	2,074,544	4,220,853
Difference between expected and actual experiences in the measurement of the total pension liability	-	439,977
Total	<u>\$ 5,941,512</u>	<u>\$ 4,660,830</u>

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

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

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2017	\$ (888,315)
2018	(888,315)
2019	(888,315)
2020	518,636
Total	<u>\$ (2,146,309)</u>

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2017	\$ 221,544
2018	221,544
2019	221,544
2020	221,544
2021	221,544
Thereafter	221,544
Total	<u>\$ 1,329,264</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

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

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

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

Discount Rate

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

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

Discount rate	Net Pension Liability
1% decrease (6.60%)	\$ 39,755,992
Current discount rate (7.60%)	26,329,829
1% increase (8.60%)	15,171,604

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

California Public Employees Retirement System (CalPERS)

Plan Description

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

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

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, 2016, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
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	7.000%	6.000%
Required employer contribution rate	11.847%	11.847%

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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, 2016, are presented above and the total District contributions were \$612,072.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$6,500,945. The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively, was 0.0441 percent and 0.0459 percent, resulting in a net decrease in the proportionate share of 0.0018 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$477,603. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 612,072	\$ -
Net change in proportionate share of net pension liability	-	308,294
Difference between projected and actual earnings on pension plan investments	1,067,712	1,290,309
Difference between expected and actual experiences in the measurement of the total pension liability	371,538	-
Changes of assumptions	-	399,436
Total	<u>\$ 2,051,322</u>	<u>\$ 1,998,039</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, 2016

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

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2017	\$ (163,175)
2018	(163,175)
2019	(163,175)
2020	266,928
Total	<u>\$ (222,597)</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2017	\$ (131,435)
2018	(131,436)
2019	(73,321)
Total	<u>\$ (336,192)</u>

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

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

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

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

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

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Discount Rate

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

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

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.65%)	\$ 10,580,830
Current discount rate (7.65%)	6,500,945
1% increase (8.65%)	3,108,248

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 \$1,170,636 (7.12589 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

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

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Litigation

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2016.

Construction Commitments

As of June 30, 2016, the District had the following commitments with respect to the unfinished capital projects.

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
15-16 Cresson Restroom Modernization	\$ 726,350	September 1, 2016
15-16 Jersey Restroom Modernization	726,350	September 1, 2016
15-16 Lakeland Restroom Modernization	726,350	September 1, 2016
15-16 Lakeview Restroom Modernization	726,350	September 1, 2016
15-16 DO/HR/BR Modernization	208,260	September 1, 2016
15-16 Cresson Field Restoration	107,233	September 1, 2016
15-16 Jersey Field Restoration	107,233	September 1, 2016
15-16 Lakeland Field Restoration	107,233	September 1, 2016
15-16 Lakeside Field Restoration	107,233	September 1, 2016
15-16 Studebaker Field Restoration	107,233	September 1, 2016
	\$ 3,649,825	

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.

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

During the year ended June 30, 2016, the District made payments of \$1,021,859, \$651,672, and \$245,812 to PTC, WASIA, and ASCIP, respectively, for the services noted above.

LITTLE LAKE CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 16 - CORRECTION OF AN ERROR OF PRIOR YEAR NET POSITION AND FUND BALANCE

Certain items that occurred in the prior year net position and fund balance have been restated as of June 30, 2015, to more accurately reflect the substance of the underlying transactions. The following table lists the reasons for the restatement:

Government-Wide Financial Statements

Net Position - Beginning	\$ (10,250,062)
Overstatement of net pension liability	108,096
Overstatement of deferred outflows of resources related to pensions	(891,263)
Understatement of deferred inflows of resources related to pensions	(123,291)
Understatement of accretion on capital appreciation bonds	(597,964)
Net Position - Beginning, as Restated	<u><u>\$ (11,754,484)</u></u>

Governmental Funds - Bond Interest and Redemption Fund

Fund Balance - Beginning	\$ 3,732,244
Inclusion of restricted assets associated with mandatory sinking fund deposits	480,000
Fund Balance - Beginning, as restated	<u><u>\$ 4,212,244</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

LITTLE LAKE CITY SCHOOL DISTRICT

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
	REVENUES			
Local Control Funding Formula	\$ 36,560,793	\$ 36,535,220	\$ 36,591,234	\$ 56,014
Federal sources	1,570,834	1,683,493	1,567,885	(115,608)
Other State sources	4,462,314	5,831,467	6,137,118	305,651
Other local sources	3,347,771	3,397,693	3,628,508	230,815
Total Revenues ¹	<u>45,941,712</u>	<u>47,447,873</u>	<u>47,924,745</u>	<u>476,872</u>
EXPENDITURES				
Current				
Certificated salaries	19,911,725	19,952,445	19,883,061	69,384
Classified salaries	5,517,880	5,748,046	5,700,227	47,819
Employee benefits	8,487,363	9,733,621	9,947,117	(213,496)
Books and supplies	3,122,825	2,390,394	2,288,055	102,339
Services and operating expenditures	6,340,211	6,886,201	6,510,139	376,062
Other outgo	277,136	186,038	219,946	(33,908)
Total Expenditures ¹	<u>43,657,140</u>	<u>44,896,745</u>	<u>44,548,545</u>	<u>348,200</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,284,572</u>	<u>2,551,128</u>	<u>3,376,200</u>	<u>825,072</u>
Other Financing Sources (Uses)				
Transfers out	(30,000)	(458,587)	(451,601)	6,986
NET CHANGE IN FUND BALANCE	<u>2,254,572</u>	<u>2,092,541</u>	<u>2,924,599</u>	<u>832,058</u>
Fund Balance - Beginning	<u>5,778,993</u>	<u>5,778,993</u>	<u>5,778,993</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 8,033,565</u>	<u>\$ 7,871,534</u>	<u>\$ 8,703,592</u>	<u>\$ 832,058</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 OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2011	\$ -	\$ 4,391,908	\$ 4,391,908	0.00%	\$ 21,155,473	20.76%
July 1, 2012	-	4,391,908	4,391,908	0.00%	21,379,451	20.54%
July 1, 2014	-	5,318,431	5,318,431	0.00%	24,395,983	21.80%
July 1, 2015	-	5,964,781	5,964,781	0.00%	24,716,585	24.13%

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, 2016

	<u>2016</u>	<u>2015</u>
CalSTRS		
District's proportion of the net pension liability	<u>0.0391%</u>	<u>0.0363%</u>
District's proportionate share of the net pension liability	\$ 26,329,829	\$ 21,197,937
State's proportionate share of the net pension liability associated with the District	<u>13,925,577</u>	<u>12,800,230</u>
Total	<u>\$ 40,255,406</u>	<u>\$ 33,998,167</u>
District's covered - employee payroll	<u>\$ 17,994,392</u>	<u>\$ 16,156,921</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>146.32%</u>	<u>131.20%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>77%</u>
CalPERS		
District's proportion of the net pension liability	<u>0.0441%</u>	<u>0.0459%</u>
District's proportionate share of the net pension liability	<u>\$ 6,500,945</u>	<u>\$ 5,215,309</u>
District's covered - employee payroll	<u>\$ 4,688,250</u>	<u>\$ 4,822,645</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>138.66%</u>	<u>108.14%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>79%</u>	<u>83%</u>

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

See accompanying note to required supplementary information.

LITTLE LAKE CITY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
CalSTRS		
Contractually required contribution	\$ 2,097,727	\$ 1,597,902
Contributions in relation to the contractually required contribution	<u>2,097,727</u>	<u>1,597,902</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 19,550,112</u>	<u>\$ 17,994,392</u>
Contributions as a percentage of covered - employee payroll	<u>10.73%</u>	<u>8.88%</u>
CalPERS		
Contractually required contribution	\$ 612,072	\$ 551,807
Contributions in relation to the contractually required contribution	<u>612,072</u>	<u>551,807</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 5,165,165</u>	<u>\$ 4,688,250</u>
Contributions as a percentage of covered - employee payroll	<u>11.85%</u>	<u>11.77%</u>

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

See accompanying note to required supplementary information.

LITTLE LAKE CITY SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

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

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

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

Schedule of District Contributions

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

Changes in Benefit Terms

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

Changes in Assumptions

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

SUPPLEMENTARY INFORMATION

LITTLE LAKE CITY SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE)			
No Child Left Behind Act (NCLB)			
Title I, Part A - Low Income and Neglected	84.010	14329	\$ 448,405
Title II, Part A - Improving Teacher Quality	84.367	14341	147,879
Title III, Part A - Limited English Proficient Student Program	84.365	14346	75,058
Title X McKinney Vento Homeless Children Assistance Grant	84.196	14332	52,655
Passed through Whittier Union High School District SELPA			
Individuals with Disabilities Education Act			
Local Assistance Entitlement	84.027	13379	<u>741,170</u>
Total U.S. Department of Education			<u>1,465,167</u>
 U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services			
Medi-Cal Assistance Program			
Medi-Cal Billing Option	93.778	10013	78,184
Medi-Cal Administrative Activities	93.778	10060	70,908
Subtotal Medi-Cal Assistance Program			<u>149,092</u>
Total U.S. Department of Health and Human Services			<u>149,092</u>
 U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
National School Lunch Program	10.555	13524	1,316,902
Meal Supplements	10.555	13392	108,968
Especially Needy Breakfast Program	10.553	13526	460,422
Commodities	10.555	13524	175,604
Subtotal Child Nutrition Cluster			<u>2,061,896</u>
Total U.S. Department of Agriculture			<u>2,061,896</u>
Total Expenditures and Federal Awards			<u><u>\$ 3,676,155</u></u>

See accompanying note to supplementary information.

LITTLE LAKE CITY SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2016

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 4,382 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>
Janet Rock	President	2019
Richard Martinez	Vice President	2019
George Buchanan	Clerk	2017
Dora Sandoval	Member	2019
Hilda Zamora	Member	2017

ADMINISTRATION

Dr. William Crean	Superintendent
Manuel Correa	Assistant Superintendent, Business Services
Maria Soto	Assistant Superintendent, Educational Services
Sonya Cuellar	Assistant Superintendent, Personnel Services
Khrystyne Pimentel	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, 2016

	Final Report	
	Second Period Report 5EDDEAC2	Annual Report 5EC6D296
Regular ADA		
Transitional kindergarten through third	1,795.55	1,799.36
Fourth through sixth	1,444.61	1,447.18
Seventh and eighth	1,004.23	1,003.66
Total Regular ADA	<u>4,244.39</u>	<u>4,250.20</u>
Extended Year Special Education		
Transitional kindergarten through third	3.37	3.37
Fourth through sixth	2.12	2.12
Seventh and eighth	1.90	1.90
Special Education	<u>7.39</u>	<u>7.39</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.49	0.60
Fourth through sixth	2.21	1.92
Seventh and eighth	0.92	0.67
Total Special Education, Nonpublic, Nonsectarian Schools	<u>3.62</u>	<u>3.19</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.22	0.22
Seventh and eighth	0.11	0.11
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>0.33</u>	<u>0.33</u>
Total ADA	<u><u>4,255.73</u></u>	<u><u>4,261.11</u></u>

See accompanying note to supplementary information.

LITTLE LAKE CITY SCHOOL DISTRICT

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

Grade Level	1986-87	2015-16	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	55,860	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		53,020	180	N/A	Complied
Grade 2		53,020	180	N/A	Complied
Grade 3		53,020	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		58,236	180	N/A	Complied
Grade 5		58,236	180	N/A	Complied
Grade 6		58,884	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		58,884	180	N/A	Complied
Grade 8		58,884	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, 2016

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

	<u>Bond Interest and Redemption Fund</u>
FUND BALANCE	
Balance, June 30, 2016, Unaudited Actuals	\$ 4,063,551
Increase in:	
Cash in county	<u>300,000</u>
Balance, June 30, 2016, Audited Financial Statement	<u><u>\$ 4,363,551</u></u>

See accompanying note to supplementary information.

LITTLE LAKE CITY SCHOOL DISTRICT

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

	(Budget) 2017 ¹	2016	2015	2014
GENERAL FUND ⁴				
Revenues	\$ 46,483,258	\$ 47,724,600	\$ 40,547,553	\$ 36,376,311
Expenditures	46,747,533	44,548,545	40,012,728	36,181,730
Other uses and transfers out	10,000	451,601	31,803	64,605
Total Expenditures and Other Uses	46,757,533	45,000,146	40,044,531	36,246,335
INCREASE (DECREASE) IN FUND BALANCE	\$ (274,275)	\$ 2,724,454	\$ 503,022	\$ 129,976
ENDING FUND BALANCE	\$ 8,188,278	\$ 8,462,553	\$ 5,738,099	\$ 5,235,077
AVAILABLE RESERVES ²	\$ 3,928,771	\$ 3,551,281	\$ 3,247,514	\$ 4,146,143
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	8.40%	7.89%	8.11%	11.44%
LONG-TERM OBLIGATIONS	\$ -	\$ 47,824,975	\$ 61,767,374	\$ 36,777,887
K-12 AVERAGE DAILY ATTENDANCE AT P-2	4,228	4,256	4,377	4,490

The General Fund balance has increased by \$3,227,476 over the past two years. The fiscal year 2016-2017 budget projects a decrease of \$274,275 (3.2 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in all of the past three years but anticipates incurring an operating deficit during the 2016-2017 fiscal year. Total long-term obligations have increased by \$11,047,088 over the past two years.

Average daily attendance has decreased by 234 over the past two years. Additional decline of 28 ADA is anticipated during fiscal year 2016-2017.

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

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

³ On behalf payments of \$932,943 has been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015.

⁴ 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.

See accompanying note to supplementary information.

LITTLE LAKE CITY SCHOOL DISTRICT

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

	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund
ASSETS			
Deposits and investments	\$ 324,037	\$ 1,443,425	\$ 664,431
Receivables	762,586	8,217	2,081
Stores inventories	31,016	-	-
Total Assets	<u>\$ 1,117,639</u>	<u>\$ 1,451,642</u>	<u>\$ 666,512</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	235,333	486,204	-
Fund Balances:			
Nonspendable	31,016	-	-
Restricted	851,290	965,438	666,512
Assigned	-	-	-
Total Fund Balances	<u>882,306</u>	<u>965,438</u>	<u>666,512</u>
Total Liabilities and Fund Balances	<u>\$ 1,117,639</u>	<u>\$ 1,451,642</u>	<u>\$ 666,512</u>

See accompanying note to supplementary information.

Special Reserve Fund for Capital Outlay Projects	Debt Service Fund	Total Non-Major Governmental Funds
\$ 783,570	\$ 5,937	\$ 3,221,400
1,072	18	773,974
-	-	31,016
<u>\$ 784,642</u>	<u>\$ 5,955</u>	<u>\$ 4,026,390</u>
2,153	-	723,690
-	-	31,016
130,000	5,955	2,619,195
652,489	-	652,489
<u>782,489</u>	<u>5,955</u>	<u>3,302,700</u>
<u>\$ 784,642</u>	<u>\$ 5,955</u>	<u>\$ 4,026,390</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, 2016

	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund
REVENUES			
Federal sources	\$ 2,061,896	\$ -	\$ -
Other State sources	148,669	-	-
Other local sources	465,429	491,923	5,214
Total Revenues	<u>2,675,994</u>	<u>491,923</u>	<u>5,214</u>
EXPENDITURES			
Current			
Food services	2,513,458	-	-
Administration:			
All other administration	119,059	-	-
Plant services	4,383	-	-
Facility acquisition and construction	-	2,724,782	-
Total Expenditures	<u>2,636,900</u>	<u>2,724,782</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>39,094</u>	<u>(2,232,859)</u>	<u>5,214</u>
Other Financing Sources			
Transfers in	28,014	-	-
NET CHANGE IN FUND BALANCES	67,108	(2,232,859)	5,214
Fund Balances - Beginning	815,198	3,198,297	661,298
Fund Balances - Ending	<u>\$ 882,306</u>	<u>\$ 965,438</u>	<u>\$ 666,512</u>

See accompanying note to supplementary information.

Special Reserve Fund for Capital Outlay Projects	Debt Service Fund	Total Non-Major Governmental Funds
\$ -	-	\$ 2,061,896
-	-	148,669
2,742	46	965,354
<u>2,742</u>	<u>46</u>	<u>3,175,919</u>
-	-	2,513,458
-	-	119,059
-	-	4,383
-	-	2,724,782
<u>-</u>	<u>-</u>	<u>5,361,682</u>
2,742	46	(2,185,763)
<u>423,587</u>	<u>-</u>	<u>451,601</u>
426,329	46	(1,734,162)
356,160	5,909	5,036,862
<u>\$ 782,489</u>	<u>\$ 5,955</u>	<u>\$ 3,302,700</u>

LITTLE LAKE CITY SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

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 funds that in the previous period were recorded as revenues but were unspent. These unspent balances have 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</u> <u>Number</u>	<u>Amount</u>
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances:		
Medi-Cal Billing Option	93.778	\$ 4,033,150
QSCB Bond Interest Subsidy	N/A	46,374
Total Schedule of Expenditures of Federal Awards		<u>\$ 3,676,155</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, 2016

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, 2016, 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 14, 2016.

Emphasis of Matter – Correction of an Error

As discussed in Note 16 to the financial statement, certain items that occurred in the prior year net position and fund balance have been restated to more accurately reflect the substance of the underlying transactions. 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 14, 2016.

Purpose of This Report

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

Varrinck, Tai, Day & Co., LLP

Rancho Cucamonga, California
November 14, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND 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, 2016. 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, 2016.

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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Vannink, Tai, Day & Co., LLP

Rancho Cucamonga, California
November 14, 2016



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 *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Little Lake City School District's State government programs as noted below for the year ended June 30, 2016.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the 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 *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about 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.

Unmodified Opinion

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, 2016.

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:

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	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
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	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 Work Experience Program within the Continuation Education Attendance Program.

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

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

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

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

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

The District did not have any schools listed on the immunization assessment reports; 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.

Vannink, Tai, Day & Co., LLP

Rancho Cucamonga, California
November 14, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LITTLE LAKE CITY SCHOOL DISTRICT

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

FINANCIAL STATEMENTS

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

Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>
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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>No</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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LITTLE LAKE CITY SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

None reported.

LITTLE LAKE CITY SCHOOL DISTRICT

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

None reported.

LITTLE LAKE CITY SCHOOL DISTRICT

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

None reported.

LITTLE LAKE CITY SCHOOL DISTRICT

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

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

State Awards Findings

School Accountability Report Card (SARC)

2015-001 72000

Criteria or Specific Requirements

Specific Requirements: School districts are required to have annual facility inspections. Specifically, State law requires that the annual facility inspection be reflected on the SARC in accordance with Section 33126(b) of the Education Code. The Office of Public School Construction (OPSC) Facility Inspection Tool (FIT) or a locally developed instrument that meets the same legal requirements must be utilized. During these inspections to determine if a school facility is in "good repair" and to rate the facility accordingly.

LEAs should ensure that information concerning school facility conditions and the "good repair" status of facilities should use the most recent available data collected by the LEA. The year and month in which the data were collected should also be identified.

Condition

An inspection was performed for Cresson Elementary and Lake Center Middle School, but no written report was on file. As a result, we were unable to verify the facilities information reported in the SARC.

Questioned Costs

Not Applicable

Context

We tested two of the District's nine School Accountability Report Cards.

Effect

Auditor was unable to verify that the information collected for the School Accountability Report Card was accurate.

Cause

Unknown.

LITTLE LAKE CITY SCHOOL DISTRICT

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

Recommendation

District should utilize the Facility Inspection Tool (FIT) or instrument that meets the same legal requirements during site inspections. These written inspection reports should be kept to support the information reported in the School Accountability Report Card.

Current Status

Implemented.



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, 2016, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated November 14, 2016 on the government-wide financial statements of the District.

INTERNAL CONTROL

Nutrition Services

Observation

The Director of Nutrition Services performs daily review of cash collected from meal sales, performs monthly bank reconciliations, and initiates the recording of revenues collected on the District's accounting system without any oversight and independent review. Based on the observations made, the District is currently subject to unmitigated potential for errors and misappropriation.

Recommendation

At a minimum, monthly bank reconciliations should be performed by an employee other than the Director of Nutrition Services. We recommend the District to delegate this task to an employee that has familiarity over the bank reconciliation process. Additionally, supporting documents (sales reports) from the District's point-of-sale system should be used during the reconciliation process to determine the intactness of cash collected from meal sales.

ASSOCIATED STUDENT BODY

Lakeside Middle School

Disbursements Deficiencies

Observations

The following observations were made in connection with the ASB disbursement activities:

1. Based on our review of sample ASB disbursements, the ASB appears to be issuing payments without the documentation of goods being received or services being rendered. Supporting invoices reviewed did not indicate that payments were made after the receipt of goods or services.
2. Under the ASB disbursement procedures, all checks drafted by the ASB require two signatures. Based on our review of sample ASB disbursements, it appears that the checks are not being consistently signed by two authorized signors at the site.

Recommendations

1. The ASB should ensure that all payments are accompanied by clear documentation indicating that goods or services requested have been received. The documentation should be evident prior to the ASB drafting checks. This process would mitigate the risk of the ASB paying for goods and services that were not received/rendered.
2. All checks drafted by the ASB must have two signatures affixed to the checks in accordance to the ASB disbursement procedures. The failure to adhere to established procedure can potentially lead to abuse and misappropriation of ASB assets.

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

Vannink, Tai, Day & Co., LLP

Rancho Cucamonga, California
November 14, 2016