

LOWELL JOINT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2014



QUEZADA, WONG & ASSOCIATES, INC.
CERTIFIED PUBLIC ACCOUNTANTS and CONSULTANTS

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FINANCIAL



QUEZADA, WONG & ASSOCIATES, INC.

CERTIFIED PUBLIC ACCOUNTANTS and CONSULTANT

2920 Huntington Drive, Suite 288, San Marino, CA 91108

Tel. 626.286.4800 Fax. 626.286.4808

INDEPENDENT AUDITORS' REPORT

Board of Education
Lowell Joint School District
11019 Valley Home Avenue
Whittier, California 90603

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lowell Joint School District (the "District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Standard and Procedures for Audits of California K-12 Local Education Agencies 2013-14, issued by the Education Audit Appeals Panel. 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *required supplementary information, management's discussion and analysis and budgetary comparison information*, and schedule of funding progress on pages 4-11 and 38-39 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 Lowell Joint School District's basic financial statements. The *accompanying supplementary information* listed on the table of contents on pages 40-53 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *accompanying supplementary information* listed on the table of contents on pages 40-53 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* listed on the table of contents on pages 40-53 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014 on our consideration of the Lowell Joint 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 Lowell Joint School District's internal control over financial reporting and compliance.

Quezada, Wong & Associates

San Marino, California
December 12, 2014

**LOWELL JOINT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2014**

2014 Management Discussion & Analysis

As management of Lowell Joint School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the July 1, 2013 to June 30, 2014 fiscal year. We encourage readers to consider the information presented here in conjunction with the District's financial statements as well as the supplementary information provided in this report.

Philosophy

The Lowell Joint School District is committed to providing a strong academic, well-rounded program of basic skills and traditional subject offerings. At all District schools, we emphasize the importance of education, family, and traditional American values. We stress the value of personal integrity, social responsibility, and a respect for our national heritage.

Mission

It is the Lowell Joint School District's vision and purpose to challenge and motivate all students to achieve his/her highest academic potential and to pursue higher education. Through a well-defined, cohesive and comprehensive instructional program, all students will acquire the skills and knowledge to perform as informed, responsible, and effective citizens of good character in our 21st century democratic society; to perform successfully in the world of work; and to realize personal fulfillment. As parents oversee and participate in the education of their children, schools are better able to produce graduates most ready for college.

Goals:

- To provide a well rounded basic educational program with an emphasis on the skills of reading, writing, language arts, and mathematics, designed to meet individual needs;
- To set and maintain high standards of discipline and social responsibility;
- To assist students in developing habits and attitudes that will ensure respect for authority and the rights, opinions, and property of others;
- To assist students in developing self-esteem; a positive attitude toward education, self-direction, good work, and study habits; and an acceptance of responsibility;
- Continue to improve communication among home, school, and community;
- Maintain fiscal integrity for the District.

**LOWELL JOINT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2014**

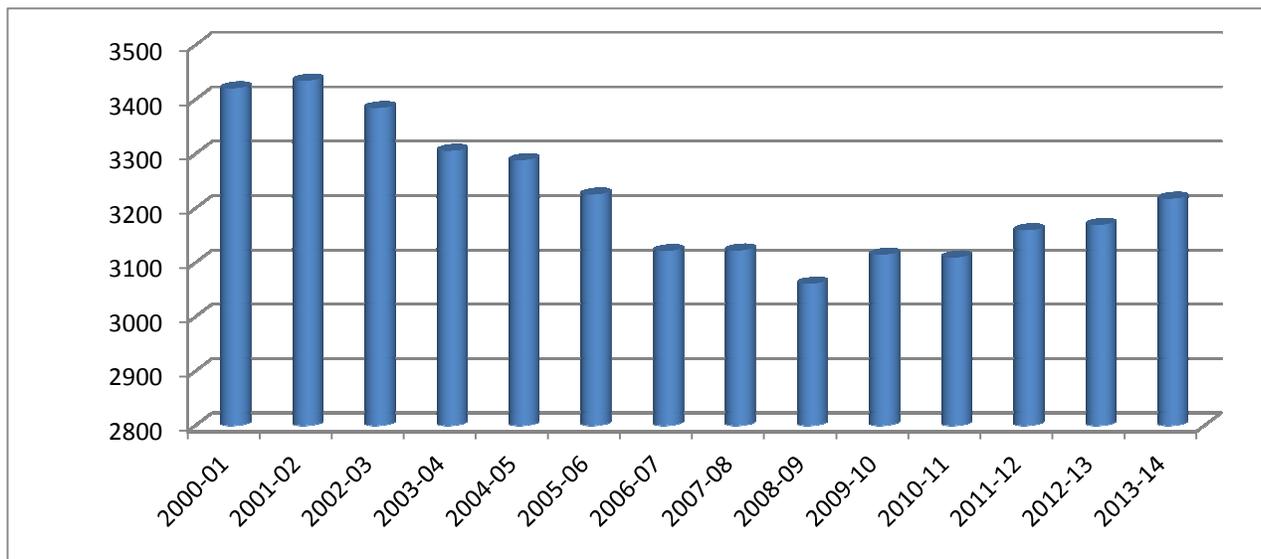
Enrollment

For the year ended June 30, 2014, Lowell Joint School District served approximately 3217 pupils from the communities of La Habra, La Habra Heights, Whittier and unincorporated portions of Los Angeles County. The number of enrolled students establishes the basis for revenue projections, staffing needs, and planning for facility needs, therefore it is a very important projection. For the purpose of projecting enrollment and comparing historical trends, the District utilizes the enrollment data obtained through the California Basic Education Data Survey (CBEDS) which is conducted in October of each year. While the enrollment data provided by CBEDS is important for projections, it is the average daily attendance (ADA) information that is utilized in calculating the largest source of District revenue. The ADA totals calculate the actual number of days students attended during the school year. There are three periods of ADA calculation, P-1 Period ending on or around December 15, P-2 Period ending on or around April 15 and the Annual Period ending on or around May 31. As a result of ADA, the District receives approximately \$43.26 for each day a student attends school. This is funding under the Local Control Funding Formula portion from the state.

Enrollment Trends

From October 1999 to October 2001 the enrollment in the District increased slightly. However, beginning in October 2002 the enrollment began to decline. Over the period of October 2001 to October 2009, District enrollment has decreased by 347, or 10.0%. Beginning in 2010, enrollment began increasing slightly. In 2014, enrollment increased once again.

District October Enrollment

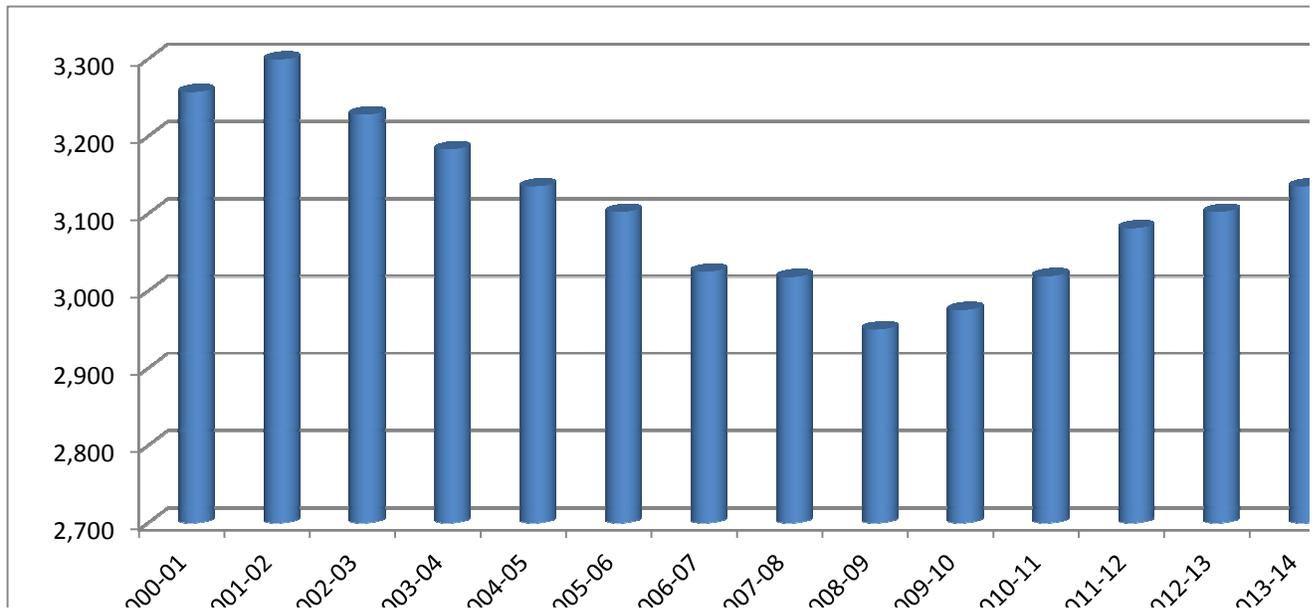


**LOWELL JOINT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2014**

ADA Trends

The District's P-2 ADA has experienced a trend similar to that of the enrollment trend. The ADA total increased in each of the years 1998-99 through 2001-2002, but decreased each subsequent year through 2008/09. The District's ADA began trending upward again beginning in 2009/10, and increased 1-2% per year.

District ADA Trends



Financial Highlights

- ◆ Unrestricted General Fund Revenues and Transfers In and Contributions to Restricted Programs totaled \$19,231,424. Unrestricted General Fund Expenses, Transfers Out and Restricted Contributions totaled \$20,389,121.
- ◆ Legally Restricted General Fund Revenues totaled \$4,864,766. Legally Restricted General Fund Expenses and Transfers Out totaled \$4,795,550. Individual restricted categorical programs required Unrestricted General Fund Contributions of \$963,229 to meet expenditure levels. This relates primarily to special education program operations. Restricted categorical programs spent slightly less than received in current year awards, resulting in an increase to the restricted fund balance which now totals \$251,143.
- ◆ The 2013/14 P-2 ADA increased by 32 ADA or 1% above 2012/13 P-2 ADA.

**LOWELL JOINT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2014**

Solvency

Based upon the 2013-14 audited financial report, the District does meet the legally required 3% unrestricted reserve for economic uncertainties. The District's year-end reserve for economic uncertainties of \$726,643 was what was necessary to meet unrestricted reserve requirements. The combined reserved General Fund amounts totaled \$3,089,078.

Deficit Spending

The District experienced unrestricted deficit spending of \$1,157,689 in 2013-14 primarily due to a 5% salary raise for all employees. The District did not experience deficit spending of restricted funds in 2013-14. Planned deficit spending is the goal to reduce reserves in excess of 20% to no less than 5%. Board policy requires at least a 5% reserve.

Background

In recent years, the District has experienced a decline in revenue resulting from the reduction and delayed payments of state revenue and due to declining enrollment. While the General Fund balance in the 2001-02 through 2004-05 years remained strong, it required a total of \$4.1 million in transfers into the General Fund to sustain the General Fund balance. Proceeds from property sales are the source of these funds, which are one-time in nature. In the 2005-06 year, the ending fund balance dropped significantly, primarily due to the fact the funding source for the previous year's interfund transfers had been depleted in the 04-05 year. The District successfully implemented a large portion of the Fiscal Recovery Plan the Board of Trustees adopted at the October 24, 2005 meeting. In the 2008-09 year previous expenditure reductions continued, additional reductions were incorporated due to loss of state funding and declining enrollment, and "one-time" Federal Stimulus Funds were received at the close of the year. This resulted in an increase to the unrestricted fund balance of \$1,168,194 in 2008-09, which increased the reserve amount above the legally required three percent of expenditures and transfers out. The Federal Stimulus Funds were spent in 2009-10.

A component of the Fiscal Recovery Plan to meet the projected shortfall in 2005-06 was to sell a District property. Therefore, in accordance with Education Code sections 17455 and 17484, the surplus property was put up for sale and a down payment totaling \$1 million was to be utilized in support of achieving the required 3% reserve in 2006-07. The District Board of Trustees took the initial required actions related to the sale of surplus property. Unfortunately the first property auction was ultimately not successful. The property auction was held once again on August 14th, 2006. The property was sold to the current tenant. The District closed escrow on this property during the 2008-09 year. The sale proceeds are not allowed to be used for General Fund ongoing operations. There is also a "penalty" imposed on Districts for using property proceeds for "one-time" operating expenses. This penalty forces the District to fund the costs of maintaining their facilities for a period of ten years, as opposed to participating in state facility programs.

**LOWELL JOINT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2014**

Current Status

With the current state and national economy continuing to climb out of recession and given the heavy reliance on state funding for public schools within the state of California, the district is tasked with implementing a new state funding model (Local Control Funding Formula, LCFF), maintaining competitive total compensation for employees, and managing reserve levels to ensure fiscal solvency. These demands require close financial monitoring of budget and cash balances, comparisons with neighboring districts and the district's ability to compete with its neighbors under this new funding formula. The new funding formula is based upon student demographics, which can cause large disparities in the ability to provide total compensation.

State funding per student increased in the 2013/14 year due to the implementation of the LCFF. Funding is anticipated to increase each year for the following seven years until it reaches "full funding." Furlough days that were implemented during the recession years were fully restored in 2013/14 and 180 school days were taught once again (up from 175 school days in 2012/13). In addition, a five percent salary raise was awarded to all employees as of July 1, 2013. 2013/14 was the first year of a three year agreement, with re-openers in years each year for salary and benefits, and up to two individual items per party.

Overview of the Financial Statements

The full annual audit report performed under the provisions of the *Governmental Accounting Standards Board Statement 34* includes three separate parts: the basic financial statements, supplemental information, and this section referred to as the Management Discussion and Analysis. These three sections are intended to provide a comprehensive overview of the District. The basic financial statements consist of two statements that provide the financial information from different perspectives, a District-wide viewpoint and a more specific viewpoint related to the various funds.

The District-wide financial statements provide both short-term and long-term information about the District's overall financial position. The fund financial statements focus on reporting the District's operations in more detail.

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities provide information on how well the District has done financially during the year. The intent of the statements is to provide the reader with a picture of whether the District's financial condition has either improved or deteriorated. The statements meet the reporting requirements established by GASB 34. This type of reporting brings school districts in line with the accrual basis of accounting that is used in the private sector. All of the District's assets and liabilities are included in the statement of net assets. The statement of activities reports all of the current year's revenues and expenses regardless of when cash is paid or received.

**LOWELL JOINT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2014**

Basically, the District's financial health or position can be measured by the difference between the District's assets and liabilities. In the 2013/14 fiscal year the net assets of Lowell Joint decreased by \$870,629.

Fund Financial Statements

This section of the audit report provides more detailed information about specific funds operated by the District. Lowell Joint School District maintains two different kinds of funds. These include *Governmental Funds* and *Fiduciary Funds*.

Governmental Funds

The major governmental funds operated by Lowell Joint include the General Fund, Special Revenue Funds including Cafeteria and Deferred Maintenance and Capital Projects Funds. Governmental fund reporting focuses on cash receipts, disbursements and year-ending balances. The statements provide a detail of the District's annual activities. The information provided in the Governmental Fund Statements should be utilized by the District to assess the resources that are available to finance the desired programs.

Fiduciary Funds

Fiduciary funds are those held in trust by the District. This includes the Associated Student Body Fund. The activity in this fund is excluded from the District's financial statements because the assets in this fund are not available for the District to utilize. As the trustee, the District is responsible for ensuring that the assets are used for the appropriate and intended purposes.

The School District as a Whole

The Net assets of the District are outlined in the chart below. The District closed the year with a total of \$11,689,580 in net assets.

**LOWELL JOINT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2014**

Net Assets at June 30, 2014

	Government Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 11,269,319	\$ -	\$ 11,269,319
Accounts receivables	2,512,074	-	2,512,074
Inventories and other assets	115,570	-	115,570
Capital assets:			-
Land	1,428,571	-	1,428,571
Land improvement	858,209	-	858,209
Buildings and improvements	10,816,635	-	10,816,635
Furniture and equipment	2,796,644	-	2,796,644
Less: accumulated depreciation	(12,823,040)	-	(12,823,040)
Total capital assets, net of depreciation	<u>3,077,019</u>	<u>-</u>	<u>3,077,019</u>
Total assets	<u>\$ 16,973,982</u>	<u>-</u>	<u>\$ 16,973,982</u>
Liabilities			
Accounts payable	\$ 1,976,042	-	\$ 1,976,042
Deferred revenue	117,303	-	117,303
Long-term liabilities:			-
Due after one year	3,191,057	-	3,191,057
Total liabilities	<u>\$ 5,284,402</u>	<u>\$ -</u>	<u>\$ 5,284,402</u>
Net position			
Invested in capital assets, net of related debt	3,077,019	-	3,077,019
Restricted for:			
Other activities	5,422,282	-	5,422,282
Unrestricted	3,190,279	-	3,190,279
Total net position	<u>\$ 11,689,580</u>	<u>\$ -</u>	<u>\$ 11,689,580</u>

**LOWELL JOINT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2014**

Change in Net Assets

The table below identifies the change in the District's net assets for the year. The expenses are identified according to major categories.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues:			
Program revenues	\$ 4,639,727	\$ -	\$ 4,639,727
General revenues	20,465,920	-	20,465,920
Total Revenues	<u>25,105,647</u>	<u>-</u>	<u>25,105,647</u>
Expenses:			
Instruction	16,249,530	-	16,249,530
Instruction related & pupil services	4,191,744	-	4,191,744
General administration	1,521,117	-	1,521,117
Other	4,013,885	-	4,013,885
Total Expenses	<u>25,976,276</u>	<u>-</u>	<u>25,976,276</u>
 (Decrease) in Net Assets	 <u>\$ (870,629)</u>	 <u>\$ -</u>	 <u>\$ (870,629)</u>

**LOWELL JOINT SCHOOL DISTRICT
STATEMENT OF NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2014**

	Government Activities	Business-type Activities	Total	Component Unit Lowell Joint Education Foundation
Assets				
Cash and cash equivalents	\$ 11,269,319	\$ -	\$ 11,269,319	\$ 8,567
Accounts receivables	2,512,074	-	2,512,074	-
Inventories and other assets	115,570	-	115,570	-
Capital assets:				
Land	1,428,571	-	1,428,571	-
Land improvement	858,209	-	858,209	-
Buildings and improvements	10,816,635	-	10,816,635	-
Furniture and equipment	2,796,644	-	2,796,644	-
Less: accumulated depreciation	(12,823,040)	-	(12,823,040)	-
Total capital assets, net of depreciation	<u>3,077,019</u>	<u>-</u>	<u>3,077,019</u>	<u>-</u>
Total assets	<u>\$ 16,973,982</u>	<u>\$ -</u>	<u>\$ 16,973,982</u>	<u>\$ 8,567</u>
Liabilities				
Accounts payable	\$ 1,976,042	\$ -	\$ 1,976,042	-
Deferred revenue	117,303	-	117,303	-
Long-term liabilities:				
Due after one year	<u>3,191,057</u>	<u>-</u>	<u>3,191,057</u>	<u>-</u>
Total liabilities	<u>\$ 5,284,402</u>	<u>\$ -</u>	<u>\$ 5,284,402</u>	<u>-</u>
Net position				
Invested in capital assets, net of related debt	\$ 3,077,019	\$ -	\$ 3,077,019	-
Restricted for:				
Other activities	5,422,282	-	5,422,282	-
Unrestricted	<u>3,190,279</u>	<u>-</u>	<u>3,190,279</u>	<u>8,567</u>
Total net position	<u>\$ 11,689,580</u>	<u>\$ -</u>	<u>\$ 11,689,580</u>	<u>\$ 8,567</u>

The notes to the financial statements are an integral part of this statement

**LOWELL JOINT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2014**

Functions	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Instruction	\$ 16,249,530	\$ 375,256	\$ 4,264,471	\$ -
Instructional-related services:				
Instructional supervision and administration	423,373			
Instructional library, media and technology	381,954			
School site administration	1,708,955			
Pupil services:				
Home-to-school transportation	274,963			
Food services	765,600			
All other pupil services	636,899			
General administration:				
Centralized data processing	30,218			
All other general administration	1,490,899			
Plant services	2,904,514			
Facility Acquisition and Construction	198,123			
Ancillary services	23,907			
Other outgo	739,201			
Depreciation (unallocated)	148,140			
Total governmental activities	<u>25,976,276</u>	<u>375,256</u>	<u>4,264,471</u>	<u>-</u>
Component Unit				
Lowell Joint Education Foundation	\$ <u>55,557</u>	<u>-</u>	<u>-</u>	<u>-</u>

General revenues:

Taxes and subventions:

 Taxes levied for general purposes

 Taxes levied for other specific purposes

 Federal and state aid not restricted to specific purposes

 Interest and investment earnings

 Miscellaneous

Total general revenues, special and extraordinary items, and transfers

Change in net position

Net position, beginning

Net position, ending

The notes to the financial statements are an integral part of this statement

Net (Expense) Revenue and Changes in Net Position			Component Unit
Governmental Activities	Business-type Activities	Total	Lowell Joint Education Foundation
\$ (11,609,803)	\$ -	\$ (11,609,803)	\$ -
(423,373)	-	(423,373)	-
(381,954)	-	(381,954)	-
(1,708,955)	-	(1,708,955)	-
(274,963)	-	(274,963)	-
(765,600)	-	(765,600)	-
(636,899)	-	(636,899)	-
(30,218)	-	(30,218)	-
(1,490,899)	-	(1,490,899)	-
(2,904,514)	-	(2,904,514)	-
(198,123)	-	(198,123)	-
(23,907)	-	(23,907)	-
(739,201)	-	(739,201)	-
(148,140)	-	(148,140)	-
<u>(21,336,549)</u>	<u>-</u>	<u>(21,336,549)</u>	<u>-</u>
-	-	-	\$ (55,557)
6,739,529	-	6,739,529	-
35,610	-	35,610	-
12,646,907	-	12,646,907	-
88,541	-	88,541	-
955,333	-	955,333	47,448
<u>20,465,920</u>	<u>-</u>	<u>20,465,920</u>	<u>47,448</u>
(870,629)	-	(870,629)	(8,109)
<u>12,560,209</u>	<u>-</u>	<u>12,560,209</u>	<u>16,676</u>
<u>\$ 11,689,580</u>	<u>\$ -</u>	<u>\$ 11,689,580</u>	<u>\$ 8,567</u>

The notes to the financial statements are an integral part of this statement

**LOWELL JOINT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2014**

	General Fund	Special Reserve For Capital Outlay	Other Governmental Funds	Total Governmental Funds
Assets				
Cash in county treasury	\$ 3,030,706	\$ 7,395,395	\$ 761,977	\$ 11,188,078
Cash on hand and in banks			71,094	71,094
Cash in revolving fund	10,000		147	10,147
Accounts receivable	2,396,704	24,918	90,452	2,512,074
Stores inventory	17,163		7,582	24,745
Other current assets	90,825		-	90,825
Total assets	5,545,398	7,420,313	931,252	13,896,963
Liabilities and fund balances				
Liabilities:				
Accounts payable	1,873,403	76,350	26,289	1,976,042
Deferred revenue	103,721	-	13,582	117,303
Total liabilities	1,977,124	76,350	39,871	2,093,345
Fund balances:				
Nonspendable	27,163	-	7,729	34,892
Restricted	251,143	130,000	704,320	1,085,463
Committed	200,890	7,213,963	113,023	7,527,876
Assigned			66,309	66,309
Unassigned	3,089,078	-	-	3,089,078
Total fund balances	3,568,274	7,343,963	891,381	11,803,618
Total liabilities and fund balances	\$ 5,545,398	\$ 7,420,313	\$ 931,252	\$ 13,896,963

The notes to the financial statements are an integral part of this statement.

**LOWELL JOINT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Total fund balances - governmental funds		\$ 11,803,618
Amount reported for governmental activities are not financial resources and capital assets therefore are not reported as assets in governmental funds. The cost of the assets is \$15,900,059 and the accumulated depreciation is \$12,823,040		3,077,019
Long-term liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Compensated absences (vacation)	\$ (121,513)	
Post-retirement benefits	<u>(3,069,544)</u>	<u>(3,191,057)</u>
Total net position - governmental activities		<u><u>\$ 11,689,580</u></u>

The notes to the financial statements are an integral part of this statement.

**LOWELL JOINT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2014**

	<u>General Fund</u>	<u>Special Reserve For Capital Outlay</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
LCFF Sources	\$ 18,852,877	\$ -	-	18,852,877
Federal revenues	980,040	-	582,556	1,562,596
Other state revenues	1,398,794	130,000	45,687	1,574,481
Other local revenues	<u>1,901,259</u>	<u>768,823</u>	<u>445,611</u>	<u>3,115,693</u>
Total revenues	<u>23,132,970</u>	<u>898,823</u>	<u>1,073,854</u>	<u>25,105,647</u>
Expenditures				
Certificated salaries	12,042,615	-	-	12,042,615
Classified salaries	3,356,423	-	363,541	3,719,964
Employee benefits	4,933,787	-	117,922	5,051,709
Books and supplies	1,361,379	46,100	380,076	1,787,555
Services and other expenditures	2,139,602	146,735	38,351	2,324,688
Capital outlay	-	627,186	58,976	686,162
Other outgo	423,047	-	35,412	458,459
Transfer of indirect/direct support costs	<u>(35,412)</u>	<u>-</u>	<u>-</u>	<u>(35,412)</u>
Total expenditures	<u>24,221,441</u>	<u>820,021</u>	<u>994,278</u>	<u>26,035,740</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(1,088,471)</u>	<u>78,802</u>	<u>79,576</u>	<u>(930,093)</u>
Other financing sources (uses)				
Transfer in	-	-	138,000	138,000
Transfer out	<u>-</u>	<u>(138,000)</u>	<u>-</u>	<u>(138,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>(138,000)</u>	<u>138,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (use)	<u>(1,088,471)</u>	<u>(59,198)</u>	<u>217,576</u>	<u>(930,093)</u>
Fund balances - July 1	4,656,745	7,403,161	673,805	12,733,711
Other restatement	-	-	-	-
Fund balance- July 1, restated	<u>4,656,745</u>	<u>7,403,161</u>	<u>673,805</u>	<u>12,733,711</u>
Fund balances - June 30	<u>\$ 3,568,274</u>	<u>\$ 7,343,963</u>	<u>\$ 891,381</u>	<u>\$ 11,803,618</u>

The notes to the financial statements are an integral part of this statement.

**LOWELL JOINT SCHOOL DISTRICT
RECONCILIATION TO THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2014**

Total net change in fund balances - governmental funds \$ (930,093)

Capital outlay are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceed

Capital outlay, net	\$ 523,760	
Depreciation	<u>(148,140)</u>	375,620

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. These amounts represent the current year changes in long-term liabilities:

Increase in post-retirement benefits	(365,075)	
Increase in compensated absences	<u>48,919</u>	<u>(316,156)</u>

Change in net position of governmental activities \$ (870,629)

The notes to the financial statements are an integral part of this statement.

**LOWELL JOINT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2014**

	<u>Agency Funds</u> <u>Student Body Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 39,921</u>
Total assets	<u><u>\$ 39,921</u></u>
Liabilities	
Due to student groups	<u>\$ 39,921</u>
Total liabilities	<u><u>\$ 39,921</u></u>

The notes to the financial statements are an integral part of this statement.

**LOWELL JOINT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Lowell Joint School District (the District) is an independent political subdivision of the State of California, which was established on July 1, 1906. It is governed by a five-member Board of Trustees elected by the people at elections held every two years in alternating four-year terms. The District operates under the general oversight of the California Department of Education and the Los Angeles County Superintendent of Schools. The District's boundaries are within Los Angeles County and a portion of Orange County. During the fiscal year 2014, there is no change in the District's boundaries.

The District operates five elementary schools and one intermediate school.

B. Component Unit

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. The District has one component unit, Lowell Joint Education Foundation (the "Foundation"). The Foundation financial statement is presented in a separate column in the government-wide financial statements.

C. Accounting Policies

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

D. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the District and the Foundation.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's

**LOWELL JOINT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

governmental activities. 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. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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 governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus.

E. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under 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 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 collectible within the current period or within 60 days after year-end.

**LOWELL JOINT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocation of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

F. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, non-major, and fiduciary funds as follows:

**LOWELL JOINT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

Major Governmental Funds:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Special Reserve Fund for Capital Outlay Projects* is primarily to provide for the accumulation of general fund moneys for capital outlay purposes.

Non-major Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains two non-major special revenue funds:

- The Cafeteria Special Revenue Fund is used to account for federal, state, and local resources to operate the District's food service program.
- The Deferred Maintenance Fund is used to account for state apportionments and contributions for deferred maintenance purposes.

Capital Projects Funds are used to account for the acquisition and construction of all major governmental general fixed assets. The District maintains one non-major capital projects fund:

- The Capital Facilities Fund is used to account for moneys received from fees levied on developers or other agencies as a condition of approving a development.

**LOWELL JOINT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains Student Body Funds in its Agency Fund. The District also maintains the Article XIII-B Fund, which is classified as a trust and agency fund since no expenditures may be made from it except for transfers to other funds. The fund is utilized to account for funds projected to be required for future growth of the District and other specific projects.

G. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and the District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

H. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated on June 30.

**LOWELL JOINT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

I. Assets, Liabilities, and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are fully insured by the Federal Depository Insurance Corporation until December 31, 2014.

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury (the "County"). The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The County is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the County are either secured by federal depository insurance or are collateralized.

2. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method, in that the cost is recorded as expenditure at the time individual items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets. Transportation, maintenance and other supplies held for physical plant and equipment repair are not included in stores inventory; rather, these amounts are recorded as expenditures when purchased.

The District has the option of reporting expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure when incurred.

3. Capital Assets

Capital assets are those purchased or acquired with an original cost of \$5,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

**LOWELL JOINT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

<u>Assets</u>	<u>Estimated Useful Life</u>
Buildings	20-50 years
Land improvements	5-40 years
Machinery & equipment	2-15 years

4. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

5. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16 "Accounting for Compensated Absences." Vacation benefits are accumulated when earned by eligible employees. This amount is reported in the Long-term Debt Account Group in the governmental funds. Vacation benefits are accrued as a liability in the government-wide statements. It is probable that the District will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

6. Accrued Liability and Long-Term Obligations

In the government-wide financial statements, all payables, accrued liabilities, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

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 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 fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as a liability on the fund financial statements when due.

**LOWELL JOINT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

7. Fund Balance Reserves and Designations

In accordance with GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. The classification used in the governmental fund financial statements are as follows:

- *Nonspendable.* This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- *Restricted.* Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed.* Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same formal action (vote or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- *Assigned.* Amount that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. The Board of Education, through a formal action has given authority to the Superintendent or designee to assign amounts for a specific purpose that is neither restricted nor committed.
- *Unassigned.* The residual fund balance for the General Fund and all other spendable amounts.

8. Spending Order Policy

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District's policy considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment functions.

**LOWELL JOINT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

9. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position are reported as restricted when there are limitations imposed on their use through external restrictions imposed by donors, grantors, laws or regulations of other governments or by enabling legislation adopted by the District.

10. Local Control Funding Formula (LCFF) / Property Tax

The District's LCFF is received from a combination of local property taxes, state apportionments, and other local sources.

The County is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the County. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The County apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each year

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as LCFF sources by the District.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the State General Fund, and is known as the State Apportionment.

The District's Base LCFF source is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

**LOWELL JOINT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 2 – CASH AND CASH EQUIVALENT

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool, which totaled \$11,188,078 as of June 30, 2014. The estimated fair market value of the District's portion as of June 30, 2014 was \$11,138,992. The County is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

The District is considered to be an involuntary participant in the external investment pool. The County pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the County are either secured by federal depository insurance or are collateralized.

A summary of the District's deposits as of June 30, 2014 is as follows:

	<u>Estimated Fair Value</u>	<u>Reported Amount</u>
Deposits:		
Cash in County Treasury	\$ 11,138,992	\$ 11,188,078
Cash on Hand and in Banks	81,241	81,241
Total	<u>\$ 11,220,233</u>	<u>\$ 11,269,319</u>

Investments by the District in investment pools are considered unclassified as to credit risk because they are not evidenced by securities that exist in physical or book entry form. Investments in external investment pools and other pooled investments are excluded from the concentration of credit risk disclosure under GASB Statement No. 40.

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 rate.

Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools. The County issues a financial report that includes custodial credit risk disclosures for the Cash in County Treasury.

**LOWELL JOINT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2014**

Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand, in banks, and in revolving fund are fully insured by the Federal Depository Insurance Corporation (FDIC) until December 31, 2014. As of June 30, 2014, the carrying amount of the District's account was \$81,241.

The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledge securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the District. All cash held by financial institutions is entirely insured.

Investments

The District directs the County to invest excess funds in the investment pool. The fund is an investment pool managed by the County. The aggregate cost of investment of all participants, which includes the District, in the investment pool as of June 30, 2014 is \$21,077,653,174 with a market value of \$20,985,178,278. The fair market value of the investment pool account was obtained from the Los Angeles County Treasurer. At June 30, 2014, forty-nine percent (49%) of the County's investment has an average maturity of one (1) day to one (1) year, and fifty-one percent (51%) was invested on period over one (1) year. The investment pool account is not subject to categorization.

NOTE 6 – INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for fiscal year 2013-14 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Special Rsv for Capital Outlay	\$ -	\$ 138,000
Deferred Maintenance	138,000	
	<u>\$ 138,000</u>	<u>\$ 138,000</u>

**LOWELL JOINT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

Transfer of \$138,000 from the Special Reserve for Capital Outlay Project Fund to the Deferred Maintenance for necessary annual support.

NOTE 3 – ACCOUNTS RECEIVABLES

Accounts receivables as of June 30, 2014 consist of the following:

	General Fund	Special Reserve for Capital Outlay	All Other Governmental Funds	Total
Federal Programs:				
Categorical Aid	\$ 372,766	\$ -	\$ 67,693	\$ 440,459
Totals Federal Government	<u>372,766</u>	<u>-</u>	<u>67,693</u>	<u>440,459</u>
State Government:				
Revenue Limit	1,228,028			1,228,028
Lottery	144,566			144,566
All Other State Funds	<u>210,623</u>		<u>4,087</u>	<u>214,710</u>
Totals State Government	<u>1,583,217</u>	<u>-</u>	<u>4,087</u>	<u>1,587,304</u>
Local Revenues:				
Interest	11,753		1,718	13,471
Other Local Revenues	<u>428,968</u>	<u>24,918</u>	<u>16,954</u>	<u>470,840</u>
Total Local Sources	<u>440,721</u>	<u>24,918</u>	<u>18,672</u>	<u>484,311</u>
Total Receivables	<u>\$ 2,396,704</u>	<u>\$ 24,918</u>	<u>\$ 90,452</u>	<u>\$ 2,512,074</u>

**LOWELL JOINT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2014 is shown below:

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,428,571	\$ -	\$ -	\$ 1,428,571
Total capital assets not being depreciated	<u>1,428,571</u>	<u>-</u>	<u>-</u>	<u>1,428,571</u>
Capital assets being depreciated				
Land improvements	858,209			858,209
Buildings and improvements	10,219,636			10,219,636
Work in progress	113,578	483,421		596,999
Furniture and equipment	2,756,305	40,339		2,796,644
Total capital assets being depreciated	<u>13,947,728</u>	<u>523,760</u>	<u>-</u>	<u>14,471,488</u>
Less accumulated depreciation				
Land improvements	784,152	5,156		789,308
Buildings and improvements	9,367,794	130,131		9,497,925
Furniture and equipment	2,522,954	12,853		2,535,807
Total accumulated depreciation	<u>12,674,900</u>	<u>148,140</u>	<u>-</u>	<u>12,823,040</u>
Governmental activities capital assets, net	<u>\$ 2,701,399</u>	<u>375,620</u>	<u>-</u>	<u>\$ 3,077,019</u>

NOTE 7 – CHANGES TO LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2014 is shown below:

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>	<u>Due within One Year</u>
Compensated absences	\$ 170,432		48,919	\$ 121,513	\$ -
Other postemployment benefits	2,704,469	679,666	314,591	3,069,544	-
Totals	<u>\$ 2,874,901</u>	<u>\$ 679,666</u>	<u>\$ 363,510</u>	<u>\$ 3,191,057</u>	<u>\$ -</u>

**LOWELL JOINT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 8 – LEASES

Capital and Operating Lease

The District has not entered into any operating leases for land, building or equipment with a lease term in excess of one year.

NOTE 9 – FUND BALANCE

The following is a summary of fund balances at June 30, 2014:

	General Fund	Special Reserve for Capital Outlay Fund	All Other Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 10,000	\$ -	\$ 147	\$ 10,147
Stores inventory	17,163	-	7,582	24,745
Total nonspendable	<u>27,163</u>	<u>-</u>	<u>7,729</u>	<u>34,892</u>
Restricted	251,143	130,000	704,320	1,085,463
Committed				
Other commitments	200,890	7,213,963	113,023	7,527,876
Total committed	<u>200,890</u>	<u>7,213,963</u>	<u>113,023</u>	<u>7,527,876</u>
Assigned				
Deferred maintenance project	-	-	66,309	66,309
Total assigned	<u>-</u>	<u>-</u>	<u>66,309</u>	<u>66,309</u>
Unassigned				
Economic uncertainties	726,643	-	-	726,643
Other unassigned	2,362,435	-	-	2,362,435
Total unassigned	<u>3,089,078</u>	<u>-</u>	<u>-</u>	<u>3,089,078</u>
Total fund balances	<u>\$ 3,568,274</u>	<u>\$ 7,343,963</u>	<u>\$ 891,381</u>	<u>\$ 11,803,618</u>

NOTE 10 – RISK MANAGEMENT/JOINT VENTURES

The District participates in one (1) joint ventures under Joint Power Agreements (JPA) that provide insurance coverage to the District. The relationship between the District and each of the JPAs is such that the JPAs are not component units of the District for financial reporting purposes. Each JPA is operated separately and is independently accountable for its fiscal matters. Each JPA maintains its own accounting records and has budgeting and financial reporting requirements independent of member units. The financial statements of the JPAs are not consolidated in the District's financial statements.

The District's management has not yet determined its proportionate share of the net assets of each of the JPAs and no share of income/loss of the respective JPA has been recognized in the District's books as of June 30, 2014.

**LOWELL JOINT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

B. Alliance of Schools for Cooperative Insurance Programs

Alliance of Schools for Cooperative Insurance Programs (ASCIP) provides property, general liability, comprehensive crime, auto, and physical insurance for its members.

The condensed financial information of the ASCIP, which was audited by other auditors, for the year ended June 30, 2013 is as follows:

Total Assets	\$295,431.234
Total Liabilities	<u>160,686,676</u>
Total Net Position	<u>\$134,744,758</u>
Total Revenues	<u>\$201,182,650</u>
Total Expenses	<u>\$190,821,296</u>

As of December 12, 2014, the District has not yet received the June 30, 2014 financial information of ASCIP.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Litigation

The District is not a defendant in any lawsuit as of this report date.

**LOWELL JOINT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

B. State and Federal Allowances, Award, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, the District's management believes that any required reimbursement will not be material.

NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS

The District's qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the PERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary (over \$133.33 if the member participates in Social Security) and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2013-14 was 11.442% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to the PERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$340,695, \$313,716 and \$313,745, respectively.

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial

**LOWELL JOINT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2014**

report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution requirements of the plan members are established by state statute and was set at 8.25% for the fiscal year 2013-14. The District's contributions to the STRS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$986,270, \$876,66, and \$886,456, respectively, and equal 100% of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to STRS on behalf of all school Districts within the State. The revenues and expenditures associated with these payments, if any, have not been included in these financial statements.

NOTE 13 - POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description

The Postemployment Benefits Other than Pension Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Lowell Joint School District. The Plan provides medical, dental, and vision insurance to eligible retirees and their covered eligible dependents. The District pays a portion of the cost for eligible retirees, spouse and dependents. As of June 30, 2014, sixty-four (64) retirees and covered dependents met the eligibility requirements. Separate financial statements are not prepared for the Plan.

Contribution Information

For fiscal year 2013-14, the District contributed \$314,591 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution (ARC)	\$	679,666
Annual OPEB Cost (expenses)	\$	(314,591)
Increase in net OPEB obligation	\$	365,075
Net OPEB obligation, beginning of year	\$	2,704,469
Net OPEB obligation, end of year	\$	<u>3,069,544</u>

**LOWELL JOINT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2014**

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
06/30/12	\$ 662,542	38.7%	\$ 2,311,561
06/30/13	\$ 686,671	42.8%	\$ 2,704,469
06/30/14	\$ 679,666	46.3%	\$ 3,069,544

Funded Status and Funding Progress

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, 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

The assumptions and methods used to calculate liabilities for the plan was reviewed by the District. For certificated participants, it is assumed that their termination and retirement rates follows that prescribed by the CALSTRS experience study and actuarial assumptions. Non-certificated participants are assumed to follow termination and retirement behaviors exhibited in the CALPERS experience study and actuarial assumptions. The rate used to discount liabilities is 4%. The rate used to calculate the healthcare trend rate is 8%, the dental and vision trend rates are 4%.

NOTE 14- DEFERRED COMPENSATION PLAN

The District has adopted a deferred compensation plan on February 14, 1998 in accordance with Internal Revenue Code Section 457 for its eligible employees. Under this plan, employees may choose to defer income until retirement or termination. The District established a custodial agreement with Credit Union of Southern California (CUSC) and created a custodial account on behalf of the plan participants.

The District makes no contributions under the plan. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, are held in such custodial account for the exclusive benefit of the employee participants and their beneficiaries. The District determined that the custodial account established with CUSC qualifies as a third party trust agreement as described in GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Section 457 Deferred Compensation plans. Accordingly, the Plan net assets are excluded from the accompanying general purpose financial statements.

**LOWELL JOINT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

While the District has full power and authority to administer and to adopt rules and regulations for the plan, all investment decisions under the plan are the responsibility of the plan participants. The District has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. Under certain circumstances, employees may modify their arrangements with the plan to provide for greater or lesser contributions or to terminate their participation. If participants retire under the plan or terminate service with the District, they may be eligible to receive payments under the plan in accordance with provisions thereof. In the event of serious financial emergency, the District may approve, upon request, withdrawal from the plan by the participants, along with their allocated contributions. At June 30, 2014, assets of the plan totaled \$90,825.

NOTE 15 – TAX SHELTER ANNUITY PLAN

The District has adopted a Tax Shelter Annuity (TSA) plan on October 2, 1978. All permanent employees are eligible to participate in the TSA plan and the District is not required to make a contribution to the plan. As of June 30, 2014, the District's contribution is \$0 and there are 68 enrollees participated in the TSA plan.

NOTE 16 – QUESTIONED FUNDS REPAYMENT- INSTRUCTIONAL MINUTES

The District entered into a settlement agreement with the Department of Finance and the Office of the State Controller effective on July 28, 2008. The District will repay the questioned funds of \$50,478 arising from Audit Findings of not meeting instructional minutes minimum requirements for the 2003-2004 (Finding 04-04) and 2005-2006 (Finding 06-03). The total payment made by the District during fiscal year 2013-14 was \$6,310. The District future payments are as follows:

School Year	Amount
2014-2015	6,309.75
2015-2016	6,309.75
	<u>\$ 12,619.50</u>

**REQUIRED SUPPLEMENTARY
INFORMATION SECTION**

**LOWELL JOINT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2014**

	Budget		Actual (GAAP Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
LCFF Sources	15,726,719	18,785,335	18,852,877	67,542
Federal sources	1,017,605	1,099,449	980,040	(119,409)
Other state sources	4,498,121	1,376,438	1,398,794	22,356
Other local sources	54,000	1,840,823	1,901,259	60,436
Total revenues	<u>21,296,445</u>	<u>23,102,045</u>	<u>23,132,970</u>	<u>30,925</u>
Expenditures				
Certificated salaries	11,259,000	12,068,401	12,042,615	25,786
Classified salaries	3,245,076	3,373,805	3,356,423	17,382
Employee benefits	5,181,218	4,918,295	4,933,787	(15,492)
Books and supplies	712,907	1,757,165	1,361,379	395,786
Services and other expenditures	1,860,178	2,152,299	2,139,602	12,697
Other outgo	346,545	407,475	423,047	(15,572)
Direct support/indirect costs	(25,550)	(37,672)	(35,412)	(2,260)
Total expenditures	<u>22,579,374</u>	<u>24,639,768</u>	<u>24,221,441</u>	<u>418,327</u>
Excess (deficiency) of revenues over (under) expenditures	(1,282,929)	(1,537,723)	(1,088,471)	\$ 449,252
Other financing (uses)				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures and other financing (uses)	(1,282,929)	(1,537,723)	(1,088,471)	449,252
Fund balance - July 1	<u>4,190,213</u>	<u>4,656,745</u>	<u>4,656,745</u>	-
Fund balance - June 30	<u>\$ 2,907,284</u>	<u>\$ 3,119,022</u>	<u>\$ 3,568,274</u>	<u>\$ 449,252</u>

The notes to the financial statements are an integral part of this statement.

**LOWELL JOINT SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FISCAL YEAR ENDED JUNE 30, 2014**

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Unit Credit (b)	Unfunded Actuarial Accrued Liability (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll [(b)-(a)/(c)]
7/1/2012	\$ 3,850,849	\$ 10,168,134	\$ 6,317,285	37.87%	\$ 15,094,450	41.85%

SUPPLEMENTARY INFORMATION SECTION

**LOWELL JOINT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 FISCAL YEAR ENDED JUNE 30, 2014**

	Cafeteria Special Revenue	Deferred Maintenance	Totals
Assets			
Cash in county treasury	\$ 596,833	\$ 69,329	\$ 666,162
Cash on Hand and in Banks	71,094		71,094
Cash in Revolving Fund	147		147
Accounts receivable	73,185	59	73,244
Store Inventory	7,582		7,582
Total assets	<u>748,841</u>	<u>69,388</u>	<u>818,229</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 23,210	\$ 3,079	\$ 26,289
Deferred revenue	13,582		13,582
Total liabilities	<u>36,792</u>	<u>3,079</u>	<u>39,871</u>
Fund balances:			
Nonspendable	7,729	-	7,729
Restricted	704,320	-	704,320
Committed	-	-	-
Assigned	-	66,309	66,309
Unassigned	-	-	-
Total fund balances	<u>712,049</u>	<u>66,309</u>	<u>778,358</u>
Total liabilities and fund balances	<u>\$ 748,841</u>	<u>\$ 69,388</u>	<u>\$ 818,229</u>

The notes to the financial statements are an integral part of this statement.

**LOWELL JOINT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED JUNE 30, 2014**

	Cafeteria Special Revenue	Deferred Maintenance	Totals
Revenues			
Federal revenues	\$ 582,556	\$ -	\$ 582,556
Other State revenues	45,687	-	45,687
Other local revenues	380,573	107	380,680
Total revenues	<u>1,008,816</u>	<u>107</u>	<u>1,008,923</u>
Expenditures			
Certificated salaries	-	-	-
Classified salaries	308,476	55,065	363,541
Employee benefits	90,831	27,091	117,922
Books and supplies	350,303	1,129	351,432
Services and other expenditures	18,949	19,402	38,351
Capital outlay	58,976	-	58,976
Other outgo	35,412	-	35,412
Other outgo-Transfers of indirect cos	-	-	-
Total expenditures	<u>862,947</u>	<u>102,687</u>	<u>965,634</u>
Excess of revenues over expenditures	145,869	(102,580)	43,289
Other financing sources			
Transfer in	-	138,000	138,000
Total other financing sources	<u>-</u>	<u>138,000</u>	<u>138,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	145,869	35,420	181,289
Fund balances - July 1	<u>566,180</u>	<u>30,889</u>	<u>597,069</u>
Fund balances - June 30	<u>\$ 712,049</u>	<u>\$ 66,309</u>	<u>\$ 778,358</u>

The notes to the financial statements are an integral part of this statement.

**LOWELL JOINT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECT FUNDS
 FISCAL YEAR ENDED JUNE 30, 2014**

	Capital Facilities	Totals
Assets		
Cash in county treasury	\$ 95,815	\$ 95,815
Accounts receivable	17,208	17,208
Total assets	<u>113,023</u>	<u>113,023</u>
Liabilities and fund balances		
Liabilities:		
Accounts payable	-	-
Total liabilities	<u>-</u>	<u>-</u>
Fund balances:		
Nonspendable	-	-
Restricted	-	-
Committed	113,023	113,023
Assigned	-	-
Unassigned	-	-
Total fund balances	<u>113,023</u>	<u>113,023</u>
Total liabilities and fund balances	<u>\$ 113,023</u>	<u>\$ 113,023</u>

The notes to the financial statements are an integral part of this statement.

**LOWELL JOINT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECT FUNDS
 FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Capital Facilities</u>	<u>Totals</u>
Revenues		
Local revenues	\$ 64,931	\$ 64,931
Total revenues	<u>64,931</u>	<u>64,931</u>
Expenditures		
Books and supplies	28,644	28,644
Services and other expenditures		-
Total expenditures	<u>28,644</u>	<u>28,644</u>
Excess of revenues over expenditures	36,287	36,287
Other financing sources (uses)		
Transfer out	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Special Items		
Excess (deficiency) of revenues over (under) expenditures	36,287	36,287
Fund balances - July 1	76,736	76,736
Other restatement		-
Fund balance- July 1, restated	<u>76,736</u>	<u>76,736</u>
Fund balances - June 30	<u>\$ 113,023</u>	<u>\$ 113,023</u>

The notes to the financial statements are an integral part of this statement.

**LOWELL JOINT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 AGENCY FUNDS
 FISCAL YEAR ENDED JUNE 30, 2014**

	Rancho Starbuck Intermediate School	Totals
	<hr/>	<hr/>
<u>Assets</u>		
Cash in bank	\$ 39,921	\$ 39,921
Total assets	<u>\$ 39,921</u>	<u>\$ 39,921</u>
<u>Liabilities</u>		
Due to general student body	\$ 39,921	\$ 39,921
Total liabilities	<u>\$ 39,921</u>	<u>\$ 39,921</u>

The notes to the financial statements are an integral part of this statement.

**LOWELL JOINT SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES
 IN ASSETS AND LIABILITIES - AGENCY FUNDS
 FISCAL YEAR ENDED JUNE 30, 2014**

<u>School Name Accounts</u>	Balance June 30 2013	Additions	Deductions	Balance June 30 2014
<i>Rancho Starbuck Intermediate School</i>				
<u>Assets</u>				
Cash in Bank	\$ 51,662	\$ 105,816	\$ 117,557	\$ 39,921
Total Assets	<u>\$ 51,662</u>	<u>\$ 105,816</u>	<u>\$ 117,557</u>	<u>\$ 39,921</u>
<u>Liabilities</u>				
Due to general student body	\$ 51,662	\$ 105,816	\$ 117,557	\$ 39,921
Total Liabilities	<u>\$ 51,662</u>	<u>\$ 105,816</u>	<u>\$ 117,557</u>	<u>\$ 39,921</u>

The notes to the financial statements are an integral part of this statement.

**LOWELL JOINT SCHOOL DISTRICT
ORGANIZATION
JUNE 30, 2014**

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Anastasia Shackelford	President	December 2018
Brandon Jones	Vice President	December 2016
Darin Barber	Clerk	December 2018
William Hinz	Member	December 2018
Fred Schambeck	Member	December 2016

ADMINISTRATION

Patricia A. Howell, Ed.D
Superintendent

Tiffany Rudek
Assistant Superintendent - Instruction

Andrea Reynolds
Assistant Superintendent – Administrative Services

See accompanying notes to supplementary information.

**LOWELL JOINT SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FISCAL YEAR ENDED JUNE 30, 2014**

	Second Period Report	Annual Report
District Regular ADA	<u>3,126</u>	<u>3,129</u>
District Funded Conty ADA		
County Community Schools	8	8
Special Education	<u>1</u>	<u>2</u>
County Office Totals	<u>9</u>	<u>10</u>
ADA Totals	<u><u>3,135</u></u>	<u><u>3,139</u></u>

See accompanying notes to supplementary information.

**LOWELL JOINT SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FISCAL YEAR ENDED JUNE 30, 2014**

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement</u>	<u>2013-14 Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	35,438	36,000	38,680	180	Complied
Grades 1 through 3	42,875	50,400	54,305	180	Complied
Grades 4 through 6	53,812	54,000	54,305	180	Complied
Grades 7 through 8	59,500	54,000	59,809	180	Complied

The District maintains their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, for Kindergarten to Grade 8 as required by Education Code Section 46201.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. 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 46201 through 46206.

See accompanying notes to supplementary information.

**LOWELL JOINT SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2014**

General Fund	(Budget) * 2015	2014	2013
Revenues and Other Financial Sources	\$ 24,222,838	\$ 23,132,970	\$ 21,576,845
Expenditures	25,197,980	24,221,441	21,709,871
Other Uses and Transfers Out	\$ -	-	85,000
Total Outgo	25,197,980	24,221,441	21,794,871
Change in Fund Balance	(975,142)	(1,088,471)	(218,026)
Ending Fund Balance	\$ 3,681,603	\$ 4,656,745	\$ 4,656,745
Available Reserves **	2,331,988	\$ 3,089,078	\$ 3,590,700
Available Reserves as a Percentage of Total Outgo	9.3%	12.8%	16.5%
State Recommended Available Reserves Percentage	3.0%	3.0%	3.0%
Total Long-Term Debt	\$ 3,507,213	\$ 3,191,057	\$ 2,874,901
Average Daily Attendance at P-2	3,135	3,135	3,102

* Budget 2013 is included for analytical purposes only and has not been subjected to audit.

** Available reserve consists of all undesignated and designated for economic uncertainties fund balances contained withi

This schedule discloses the Districts financial trends by displaying past year's 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.

See accompanying notes to the supplementary information.

<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 21,334,598	\$ 21,855,963	\$ 20,917,634
21,552,120	20,909,364	22,071,807
-	-	-
<u>21,552,120</u>	<u>20,909,364</u>	<u>22,071,807</u>
<u>(217,522)</u>	<u>946,599</u>	<u>(1,154,173)</u>
<u>\$ 4,874,711</u>	<u>\$ 5,083,093</u>	<u>\$ 4,136,494</u>
<u>\$ 4,661,420</u>	<u>\$ 4,429,496</u>	<u>\$ 3,552,775</u>
21.6%	21.2%	16.1%
3.0%	3.0%	3.0%
\$ 2,465,429	\$ 2,874,901	\$ 2,874,901
3,086	3,023	2,950

n general fund.

See accompanying notes to the supplementary information.

**LOWELL JOINT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2014**

Program Name	Federal CFDA Number	Program Cost Account (PCA) Number	Federal Expenditures
U.S. Department of Education:			
<i>Passed through California Department of Education (CDE):</i>			
Title I, Part A, Basic Grants Low-income and Neglected Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.010	14329	\$ 274,921
Special Ed: IDEA Preschool Grants, Part B, Sec 619	84.027	13379	551,813
Special Ed: IDEA Preschool Local Entitlement, Part B, Sec 611	84.173	13430	17,250
NCLB: Title II, Part A, Teacher Quality	84.027A	13682	42,623
NCLB: Title III, Limited English Proficient (LEP) Student Program	84.367	14341	35,307
	84.365	14346	<u>26,058</u>
Total U.S. Department of Education			<u>947,972</u>
U.S. Department of Health and Human Services:			
Medi-Cal Billing Option	93.778	10013	<u>32,068</u>
Total U.S. Department of Health and Human Services			<u>32,068</u>
U.S. Department of Agriculture:			
<i>Passed through California Department of Education (CDE):</i>			
National School Lunch Program	10.555	13524	460,789
Basic School Breakfast Program	10.555	13524	121,767
Total U.S. Department of Agriculture			<u>582,556</u>
Total Expenditures of Federal Awards			<u>\$ 1,562,596</u>

See accompanying notes to supplementary information.

**LOWELL JOINT SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014**

There was no audit adjustment to Annual Financial and Budget Report.

See accompanying notes to the supplementary information.

**LOWELL JOINT SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 – PURPOSE OF SCHEDULES

A. Schedule of Average Daily Attendance

Average daily attendance 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 apportionment 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.

B. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. 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 46201 through 46206.

C. 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.

D. Schedule of Expenditures of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with OMB Circular A-133 and state requirements.

E. 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 Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

F. Schedule of Funding Progress

This schedule provides the information that is useful for judging how well funded a pension plan is.

OTHER REPORTS SECTION



QUEZADA, WONG & ASSOCIATES, INC.
CERTIFIED PUBLIC ACCOUNTANTS and CONSULTANT
2920 Huntington Drive, Suite 288, San Marino, CA 91108
Tel. 626.286.4800 Fax. 626.286.4808

**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***

INDEPENDENT AUDITORS' REPORT

Board of Education
Lowell Joint School District
11019 Valley Home Avenue
Whittier, California 90603

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, the business-type activities, and aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lowell Joint School District (the "District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 12, 2014.

Internal Control over Financial Reporting

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity'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 Lowell Joint School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Quezada, Wong & Associates

San Marino, California
December 12, 2014



QUEZADA, WONG & ASSOCIATES, INC.

CERTIFIED PUBLIC ACCOUNTANTS and CONSULTANT

2920 Huntington Drive, Suite 288, San Marino, CA 91108

Tel. 626.286.4800 Fax. 626.286.4808

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

INDEPENDENT AUDITORS' REPORT

Board of Education
Lowell Joint School District
11019 Valley Home Avenue
Whittier, California 90603

Report on Compliance for Each Major Federal Program

We have audited Lowell Joint School District (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lowell Joint School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lowell Joint 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 Lowell Joint School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Lowell Joint 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 pro-grams for the year ended June 30, 2014

Report on Internal Control Over Compliance

Management of Lowell Joint 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 Lowell Joint School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lowell Joint School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Lowell Joint School District as of and for the year ended June 30, 2014, and have issued our report thereon dated December 12, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Quezada, Wong & Associates

San Marino, California
December 12, 2014



QUEZADA, WONG & ASSOCIATES, INC.

CERTIFIED PUBLIC ACCOUNTANTS and CONSULTANT

2920 Huntington Drive, Suite 288, San Marino, CA 91108

Tel. 626.286.4800 Fax. 626.286.4808

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Lowell Joint School District

Report on the State Compliance

We have audited Lowell Joint School District's (the "District") compliance with the requirements as identified in the Standards and Procedures for Audit of California K-12 Local Educational Agencies 2013-14 applicable to the District's government programs as noted below for the year ended June 30, 2014.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs in accordance with California K-12 Local Education Agencies 2013-14.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lowell Joint School District's state 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 Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14 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 the 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 the District's compliance with those requirements.

Opinions

In our opinion, Lowell Joint School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2014.

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

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance reporting	6	Yes
Teacher certification and misassignment	3	Yes
Kindergarten Continuance	3	Yes
Independent study	23	No**
Continuation education	10	N/A*
Instructional Time for School districts	10	Yes
Instructional Materials General Requirements	8	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	N/A*
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	N/A*
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety program:		
General requirements	4	N/A*
After School	5	N/A*
Before School	6	N/A*
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
For Charter Schools:		
Contemporaneous Records of Attendance	8	N/A***
Mode of Instruction	1	N/A***
Nonclassroom-Based Instruction/ Independent Study,	15	N/A***
Determination of Funding for Nonclassroom-Based Instruction	3	N/A***
Annual Instructional Minutes – Classroom Based	4	N/A***
Charter School Facility Grant Program	1	N/A***

* The District did not receive funding for these programs, thus the proposed audit steps are not applicable.

** Testing for the Independent Study program was not performed because the reported ADA on the Second Period Attendance Report was below the level that requires testing for this program.

*** Procedures are applicable to charter schools only.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements as identified in the Standards and Procedures for Audit of California K-12 Local Educational Agencies 2013-14. Accordingly, this report is not suitable for any other purpose

Quezada, Wong & Associates

San Marino, California
December 12, 2014

FINDINGS AND RECOMMENDATIONS SECTION

**LOWELL JOINT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2014**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: *Unqualified*

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered to be material weaknesses? _____ Yes X None reported

Type of auditors’ report issued on compliance for Major programs: *Unqualified*

Any audit findings disclosed that are required to be Reported in accordance with Circular A-133, Section .510(a) _____ Yes X No

Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.027	Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611
84.173	Special Ed: IDEA Preschool Grants, Part B, Sec 619
84.027A	Special Ed: IDEA Preschool Local Entitlement, Part B, Sec 611

**LOWELL JOINT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2014**

Dollar threshold used to distinguish between Type A
and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

X Yes No

State Awards

Internal control over state programs:

Material weakness(es) identified?

Yes X No

Significant deficiency(ies) identified not
considered

To be material weaknesses?

Yes X None reported

Type of auditors' report issued on compliance for
State programs:

Unqualified

Section II- Financial Statement Findings Section

No matters were reported.

Section III- Federal Award Finding Section

No matters were reported.

Section IV – State Findings

No matters were reported.

**LOWELL JOINT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2014**

There is no prior audit findings.