

**LOWELL JOINT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2012**



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**FINANCIAL**

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## INDEPENDENT AUDITORS' REPORT

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

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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 2011-12, 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2012 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 and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and budgetary comparison information on pages 3 - 10 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lowell Joint School District's financial statements. The accompanying supplementary information, such as the combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), listed on page 40 to 53, are presented for purposes of additional analysis and are 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 accompanying supplementary information such as the combining and individual nonmajor fund financial statements and the schedule of expenditure of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

*Quezada, Wong & Associates*

Pasadena, California  
December 14, 2012

**LOWELL JOINT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2012**

**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, 2011 to June 30, 2012 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 21<sup>st</sup> 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, 2012**

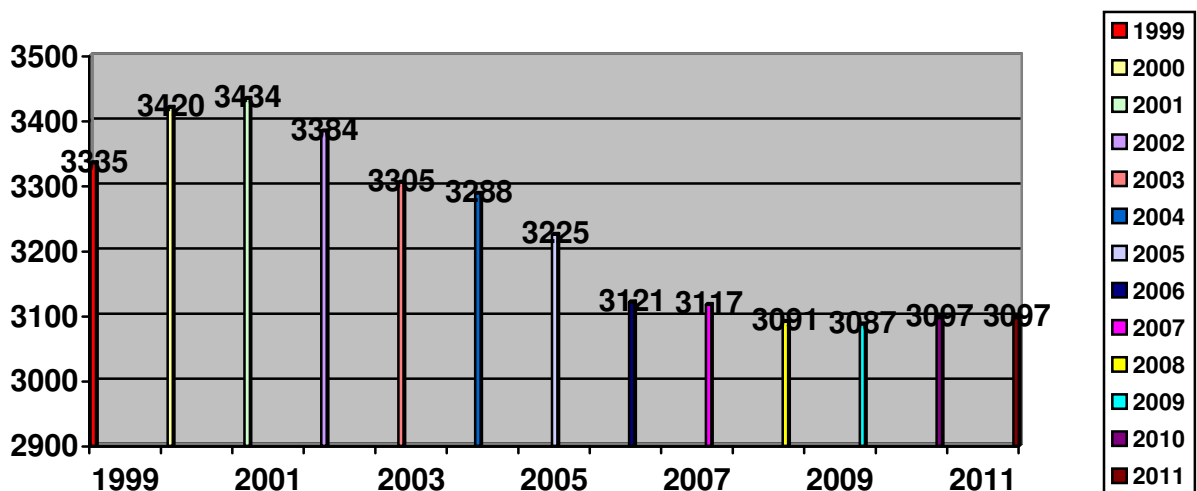
**Enrollment**

For the year ended June 30, 2012, Lowell Joint School District served approximately 3,097 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 June 30. As a result of ADA, the District receives approximately \$27.25 for each day a student attends school. This is funding under the revenue limit portion from the state. The funding from the state was deficated 20% in 2011/12.

**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%. In 2011, enrollment increased once again.

**District October Enrollment**



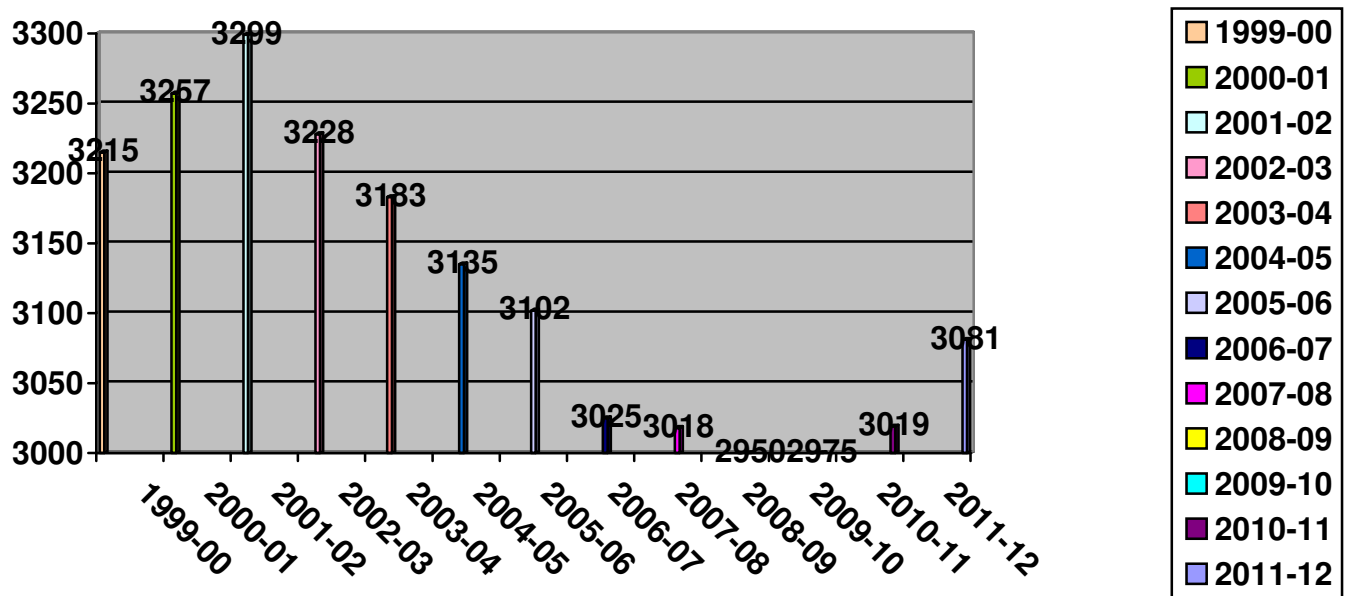


**LOWELL JOINT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2012**

**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 in each subsequent year. Therefore, in the past seven years the District's ADA has decreased by 324, or 11 %. Consistent with the enrollment increase experienced throughout 2012, District ADA also increased.

**District ADA Trends**



**Financial Highlights**

- ◆ Unrestricted General Fund Revenues and Transfers In and Contributions to Restricted Programs totaled \$17,723,918. Unrestricted General Fund Expenses, Transfers Out and Restricted Contributions totaled \$17,897,649.
- ◆ Legally Restricted General Fund Revenues totaled \$3,610,680. Legally Restricted General Fund Expenses and Transfers Out totaled \$3,654,471. Individual restricted categorical programs required Unrestricted General Fund Contributions of \$973,328 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 decrease of \$43,791 to the restricted fund balance which now totals \$153,321. In addition to these annual unrestricted contributions, the 2011/12 year continued unusual flexibility originally provided 2008/09 in the form of making previously restricted categorical funds unrestricted. This flexibility increased the unrestricted revenue (and decreased restricted revenue) by approximately \$1,000,000.
- ◆ The 2011-12 P-2 ADA increased by 62 ADA or 2% above 2010-11 P-2 ADA.

**LOWELL JOINT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2012**

**Solvency**

Based upon the 2011-12 audited financial report, the District does not meet the legally required 3% unrestricted reserve for economic uncertainties. The District's year-end reserve of \$4,721,450 was above what was necessary to meet unrestricted reserve requirements. The combined reserved General Fund amounts totaled \$4,874,771.

**Deficit Spending**

The District had deficit spend unrestricted funds in 2011-12. The District had deficit spend restricted funds in 2011-12.

**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 years 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 14<sup>th</sup>, 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 which match these costs 50/50.

**LOWELL JOINT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2012**

**Current Status**

With the current state and national economy in recession and given the heavy reliance on state funding for public schools within the state of California, the district is tasked with maintaining fiscal solvency while enduring multi-year history making funding deficits and cash deferrals. Both of these actions strain the district's ability to maintain the legally required reserve amounts over the three years required for a positive financial certification and to meet monthly payroll obligations.

State funding per student was deficated in the 2011/12 year. This was a loss of over three million dollars for operations. The District once again implemented expenditure reductions in response to continued loss of state funding. Class sizes increased in grades 1 and 2 from 25:1 to 30:1 and all day Kindergarten was eliminated at four of the five elementary schools. Class size at the intermediate school also increased from 28:1 to 30:1. Only essential vacant positions were filled. Savings from vacant or unfilled positions assisted in eliminating unrestricted deficit spending in 2011-12. The District negotiated reductions with its employees in the form of furlough days to achieve three percent salary reductions in the 2011/12 year, with reductions continuing in the following two years depending on the amount of revenues received from the state. These furlough days reduced the instructional year to 175 days.

**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 inline 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, 2012**

Basically, the District's financial health or position can be measured by the difference between the District's assets and liabilities. In the 2011-12 fiscal year the net assets of Lowell Joint decreased by \$217,522.

**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 \$13,149,570 in net assets.

**LOWELL JOINT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2012**

**Net Assets at June 30, 2012**

	<b>Government Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 8,969,884	\$ -	\$ 8,969,884
Accounts receivables	5,296,033	-	5,296,033
Inventories and other assets	162,625	-	162,625
Capital assets:			
Land	1,428,571	-	1,428,571
Land improvement	858,209	-	858,209
Buildings and improvements	10,219,636	-	10,219,636
Furniture and equipment	2,756,305	-	2,756,305
Less: accumulated depreciation	(12,444,010)	-	(12,444,010)
Total capital assets, net of depreciation	<u>2,818,711</u>	<u>-</u>	<u>2,818,711</u>
Total assets	<u>\$ 17,247,253</u>	<u>-</u>	<u>\$ 17,247,253</u>
<b>Liabilities</b>			
Accounts payable	\$ 1,626,030	-	\$ 1,626,030
Deferred revenue	6,224	-	6,224
Long-term liabilities:			
Due after one year	2,465,429	-	2,465,429
<b>Total liabilities</b>	<u>\$ 4,097,683</u>	<u>\$ -</u>	<u>\$ 4,097,683</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,818,711	-	2,818,711
Restricted for:			
Debt service			
Capital projects		-	-
Educational programs		-	
Other activities	(2,329,998)	-	(2,329,998)
Unrestricted	<u>12,660,857</u>	<u>-</u>	<u>12,660,857</u>
Total net assets	<u>\$ 13,149,570</u>	<u>\$ -</u>	<u>\$ 13,149,570</u>

**LOWELL JOINT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2012**

**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.d

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Revenues:</b>			
Program revenues	\$ 4,138,654	\$ -	\$ 4,138,654
General revenues	18,767,481	-	18,767,481
Total Revenues	<u>22,906,135</u>	<u>-</u>	<u>22,906,135</u>
<b>Expenses:</b>			
Instruction	14,543,351	-	14,543,351
Instruction related & pupil services	3,851,484	-	3,851,484
General administration	1,410,729	-	1,410,729
Other	3,972,477	-	3,972,477
Total Expenses	<u>23,778,041</u>	<u>-</u>	<u>23,778,041</u>
 (Decrease) in Net Assets	 <u>\$ (871,906)</u>	 <u>\$ -</u>	 <u>\$ (871,906)</u>

**LOWELL JOINT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
FOR FISCAL YEAR ENDED JUNE 30, 2012**

	<b>Government Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Unit Lowell Joint Education Foundation</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 8,969,884	\$ -	\$ 8,969,884	\$ 17,671
Accounts receivables	5,296,033	-	5,296,033	-
Inventories and other assets	162,625	-	162,625	-
<b>Capital assets:</b>				
Land	1,428,571	-	1,428,571	-
Land improvement	858,209	-	858,209	-
Buildings and improvements	10,219,636	-	10,219,636	-
Furniture and equipment	2,756,305	-	2,756,305	-
Less: accumulated depreciation	(12,444,010)	-	(12,444,010)	-
Total capital assets, net of depreciation	<u>2,818,711</u>	<u>-</u>	<u>2,818,711</u>	<u>-</u>
<b>Total assets</b>	<b><u>\$ 17,247,253</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 17,247,253</u></b>	<b><u>\$ 17,671</u></b>
<b>Liabilities</b>				
Accounts payable	\$ 1,626,030	\$ -	\$ 1,626,030	-
Deferred revenue	6,224	-	6,224	-
<b>Long-term liabilities:</b>				
Due after one year	<u>2,465,429</u>	<u>-</u>	<u>2,465,429</u>	<u>-</u>
<b>Total liabilities</b>	<b><u>\$ 4,097,683</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,097,683</u></b>	<b><u>-</u></b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	\$ 2,818,711	\$ -	\$ 2,818,711	-
<b>Restricted for:</b>				
Other activities	(2,297,706)	-	(2,297,706)	-
Unrestricted	<u>12,628,565</u>	<u>-</u>	<u>12,628,565</u>	<u>17,671</u>
<b>Total net assets</b>	<b><u>\$ 13,149,570</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 13,149,570</u></b>	<b><u>\$ 17,671</u></b>

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, 2012**

Functions	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
Instruction	\$ 14,543,351	\$ 357,792	\$ 3,780,862	\$ -
Instructional-related services:				
Instructional supervision and administration	388,333			
Instructional library, media and technology	297,853			
School site administration	1,608,379			
Pupil services:				
Home-to-school transportation	275,369			
Food services	704,401			
All other pupil services	577,149			
General administration:				
Centralized data processing	30,456			
All other general administration	1,380,273			
Plant services	2,823,341			
Facility Acquisition and Construction	608,840			
Ancillary services	21,854			
Other outgo	467,069			
Depreciation (unallocated)	51,373			
Total governmental activities	<u>23,778,041</u>	<u>357,792</u>	<u>3,780,862</u>	<u>-</u>
<b>Component Unit</b>				
Lowell Joint Education Foundation	<u>\$ (33,305)</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 assets

Net assets beginning

Other restatement

Net assets beginning, restated

Net assets ending

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



<u>Net (Expense) Revenue and Changes in Net Assets</u>			<u>Component Unit</u>
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Lowell Joint Education Foundation</u>
\$ (10,404,697)	\$ -	\$ (10,404,697)	\$ -
(388,333)	-	(388,333)	-
(297,853)	-	(297,853)	-
(1,608,379)	-	(1,608,379)	-
(275,369)	-	(275,369)	-
(704,401)	-	(704,401)	-
(577,149)	-	(577,149)	-
(30,456)	-	(30,456)	-
(1,380,273)	-	(1,380,273)	-
(2,823,341)	-	(2,823,341)	-
(608,840)	-	(608,840)	-
(21,854)	-	(21,854)	-
(467,069)	-	(467,069)	-
(51,373)	-	(51,373)	-
<u>(19,639,387)</u>	<u>-</u>	<u>(19,639,387)</u>	<u>-</u>
-	-	-	\$ (33,305)
5,710,365	-	5,710,365	-
49,744	-	49,744	-
12,214,779	-	12,214,779	-
123,409	-	123,409	-
669,184	-	669,184	36,579
<u>18,767,481</u>	<u>-</u>	<u>18,767,481</u>	<u>36,579</u>
(871,906)	-	(871,906)	3,274
14,012,276	-	14,012,276	14,397
9,200	-	9,200	-
<u>14,021,476</u>	<u>-</u>	<u>14,021,476</u>	<u>14,397</u>
<u>\$ 13,149,570</u>	<u>\$ -</u>	<u>\$ 13,149,570</u>	<u>\$ 17,671</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, 2012**

	<b>General Fund</b>	<b>Special Reserve For Capital Outlay</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash in county treasury	\$ 3,126,547	\$ 5,364,155	\$ 362,544	\$ 8,853,246
Cash on hand and in banks			106,491	106,491
Cash in revolving fund	10,000		147	10,147
Accounts receivable	5,158,748	34,513	102,772	5,296,033
Due from other funds		2,000,000	-	2,000,000
Stores inventory	50,030		12,393	62,423
Other current assets	100,202		-	100,202
<b>Total assets</b>	<b>8,445,527</b>	<b>7,398,668</b>	<b>584,347</b>	<b>16,428,542</b>
<b>Liabilities and fund balances</b>				
Liabilities:				
Accounts payable	1,570,756	31,158	24,116	1,626,030
Due to other funds	2,000,000		-	2,000,000
Deferred revenue			6,224	6,224
<b>Total liabilities</b>	<b>3,570,756</b>	<b>31,158</b>	<b>30,340</b>	<b>3,632,254</b>
Fund balances:				
Reserved funds	213,351	-	386,284	599,635
Unreserved:				
Designated funds	-	-	167,723	167,723
Undesignated funds	4,661,420	7,367,510	-	12,028,930
<b>Total fund balances</b>	<b>4,874,771</b>	<b>7,367,510</b>	<b>554,007</b>	<b>12,796,288</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,445,527</b>	<b>\$ 7,398,668</b>	<b>\$ 584,347</b>	<b>\$ 16,428,542</b>

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 ASSETS  
JUNE 30, 2012**

Total fund balances - governmental funds \$ 12,796,288

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 \$15,262,721 and the accumulated depreciation is \$12,444,010 2,818,711

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)	\$ (153,868)	
Post-retirement benefits	<u>(2,311,561)</u>	<u>(2,465,429)</u>

Total net assets - governmental activities \$ 13,149,570

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, 2012**

	<u>General Fund</u>	<u>Special Reserve For Capital Outlay</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Revenue limit sources	\$ 15,525,285	\$ -	-	15,525,285
Federal revenues	1,244,661	-	507,744	1,752,405
Other state revenues	4,328,405	-	44,044	4,372,449
Other local revenues	236,247	530,629	489,120	1,255,996
Total revenues	<u>21,334,598</u>	<u>530,629</u>	<u>1,040,908</u>	<u>22,906,135</u>
<b>Expenditures</b>				
Certificated salaries	10,775,955	-	-	10,775,955
Classified salaries	3,113,126	-	362,434	3,475,560
Employee benefits	4,650,629	-	119,133	4,769,762
Books and supplies	723,036	32,368	334,825	1,090,229
Services and other expenditures	1,824,424	163,324	117,091	2,104,839
Capital outlay	-	55,947	350,750	406,697
Other outgo	490,086	-	-	490,086
Transfer of indirect/direct support costs	(25,136)	-	25,136	-
Total expenditures	<u>21,552,120</u>	<u>251,639</u>	<u>1,309,369</u>	<u>23,113,128</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(217,522)</u>	<u>278,990</u>	<u>(268,461)</u>	<u>(206,993)</u>
<b>Other financing sources (uses)</b>				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(217,522)</u>	<u>278,990</u>	<u>(268,461)</u>	<u>(206,993)</u>
Fund balances - July 1	5,083,093	7,088,520	822,468	12,994,081
Other restatement	9,200	-	-	9,200
Fund balance- July 1, restated	<u>5,092,293</u>	<u>7,088,520</u>	<u>822,468</u>	<u>13,003,281</u>
Fund balances - June 30	<u>\$ 4,874,771</u>	<u>\$ 7,367,510</u>	<u>\$ 554,007</u>	<u>\$ 12,796,288</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, 2012**

Total net change in fund balances - governmental funds \$ (206,993)

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	\$ (146,471)	
Depreciation	<u>(51,373)</u>	(197,844)

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	(406,036)	
Increase in compensated absences	(61,033)	<u>(467,069)</u>

Change in net assets of governmental activities \$ (871,906)

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, 2012**

	<u>Agency Funds</u> <u>Student Body Funds</u>
<b>Assets</b>	
Cash and cash equivalents	<u>\$ 53,209</u>
Total assets	<u><u>\$ 53,209</u></u>
<b>Liabilities</b>	
Due to student groups	<u>\$ 53,209</u>
Total liabilities	<u><u>\$ 53,209</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, 2012**

**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 2012, there is no change in the District's boundaries.

The District operates five elementary schools and one middle 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, 2012**

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, 2012**

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, 2012**

**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, 2012**

**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, 2012**

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, 2012.

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, 2012**

<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, 2012**

7. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriate for expenditure or amounts legally segregated for a specific future use. The reserve for revolving fund and reserve for stores inventory reflects the portions of fund balance represented by revolving fund cash and stores inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

8. Revenue Limit/ Property Tax

The District's revenue limit 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 local revenue limit 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 Revenue Limit 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, 2012**

**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 \$8,853,246 as of June 30, 2012. The estimated fair market value of the District's portion as of June 30, 2012 was \$8,880,383. 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, 2012 is as follows:

	<u>Estimated Fair Value</u>	<u>Reported Amount</u>
Deposits:		
Cash in County Treasury	\$ 8,880,383	\$ 8,853,246
Cash on Hand and in Banks	116,638	116,638
Total	<u>\$ 8,997,021</u>	<u>\$ 8,969,884</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, 2012**

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, 2012. As of June 30, 2012, the carrying amount of the District's account was \$116,638.

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, 2012 is \$20,973,373,667 with a market value of \$21,037,660,982. The fair market value of the investment pool account was obtained from the Los Angeles County Treasurer. At June 30, 2012, sixty percent (60%) of the County's investment has an average maturity of one (1) day to one (1) year, and forty percent (40%) 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 Receivables/Payables (Due From/Due To)

As of June 30, 2012, interfund receivables and payables were as follows:

Funds	Interfund Receivables	Interfund Payables
Special Reserve for Capital Outlay Project	\$ 2,000,000	\$ -
General	-	2,000,000
Total	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>



**LOWELL JOINT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 3 – ACCOUNTS RECEIVABLES**

Accounts receivables as of June 30, 2012 consist of the following:

	General Fund	Special Reserve for Capital Outlay	All Other Governmental Funds	Total
Federal Programs:				
Categorical Aid	\$ 270,768	\$ -	\$ 89,654	\$ 360,422
Totals Federal Government	<u>270,768</u>	<u>-</u>	<u>89,654</u>	<u>360,422</u>
State Government:				
Revenue Limit	4,076,670	-	-	4,076,670
Lottery	151,785	-	-	151,785
All Other State Funds	621,706	-	7,638	629,344
Totals State Government	<u>4,850,161</u>	<u>-</u>	<u>7,638</u>	<u>4,857,799</u>
Local Revenues:				
Interest	7,606	10,813	1,120	19,539
Other Local Revenues	30,213	23,700	4,360	58,273
Total Local Sources	<u>37,819</u>	<u>34,513</u>	<u>5,480</u>	<u>77,812</u>
Total Receivables	<u>\$ 5,158,748</u>	<u>\$ 34,513</u>	<u>\$ 102,772</u>	<u>\$ 5,296,033</u>

**LOWELL JOINT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 5 – CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2012 is shown below:

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>
<b>Governmental activities</b>				
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
Furniture and equipment	2,902,776	34,929	181,400	2,756,305
Total capital assets being depreciated	<u>13,980,621</u>	<u>34,929</u>	<u>181,400</u>	<u>13,834,150</u>
Less accumulated depreciation				
Land improvements	773,842	5,155		778,997
Buildings and improvements	8,991,848	187,973		9,179,821
Furniture and equipment	2,626,947	37,762	179,517	2,485,192
Total accumulated depreciation	<u>12,392,637</u>	<u>230,890</u>	<u>179,517</u>	<u>12,444,010</u>
Governmental activities capital assets, net	<u>\$ 3,016,555</u>	<u>(195,961)</u>	<u>1,883</u>	<u>\$ 2,818,711</u>

**NOTE 7 – CHANGES TO LONG-TERM DEBT**

A schedule of changes in long-term debt for the year ended June 30, 2012 is shown below:

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>	<u>Due within One Year</u>
Compensated absences	\$ 92,835	61,033	-	\$ 153,868	\$ -
Other postemployment benefits	1,905,525	662,542	256,506	2,311,561	-
Totals	<u>\$ 1,998,360</u>	<u>\$ 723,575</u>	<u>\$ 256,506</u>	<u>\$ 2,465,429</u>	<u>\$ -</u>

**LOWELL JOINT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2012**

**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, 2012:

	<u>General Fund</u>	<u>Special Reserve for Capital Outlay Fund</u>	<u>All Other Governmental Funds</u>	<u>Total</u>
Reserved:				
Revolving cash	\$ 10,000	\$ -	\$ 147	\$ 10,147
Stores inventory	50,030	-	12,393	62,423
Restricted	<u>153,321</u>	<u>-</u>	<u>373,744</u>	<u>527,065</u>
Total reserved	213,351	-	386,284	599,635
Unreserved:				
Designated:				
Economic uncertainties	-	-	-	-
Other uses	<u>-</u>	<u>-</u>	<u>167,723</u>	<u>167,723</u>
Total designated funds	-	-	167,723	167,723
Undesignated	<u>4,661,420</u>	<u>7,367,510</u>	<u>-</u>	<u>12,028,930</u>
Total unreserved	<u>4,661,420</u>	<u>7,367,510</u>	<u>167,723</u>	<u>12,196,653</u>
Total fund balances	<u>\$ 4,874,771</u>	<u>\$ 7,367,510</u>	<u>\$ 554,007</u>	<u>\$ 12,796,288</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, 2012.

**LOWELL JOINT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2012**

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, 2011 is as follows:

Total Assets	\$256,717,310
Total Liabilities	<u>144,684,365</u>
Total Net Assets	<u>\$112,032,945</u>
Total Revenues	<u>\$184,317,132</u>
Total Expenses	<u>\$178,238,995</u>

As of December 14, 2012, the District has not yet received the June 30, 2012 financial information of ASCIP.

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

A. Litigation

The District is a defendant in various lawsuits. Although the outcome of the lawsuits are not presently determinable, it is the opinion of the District's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

**LOWELL JOINT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2012**

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 2011-12 was 10.923% 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, 2012, 2011, and 2010 were \$313,745, \$317,027, and \$299,396, 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, 2012**

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 2011-12. The District's contributions to the STRS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$886,456, \$873,094, and \$937,723, 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, 2012, forty-six (46) retirees and covered dependents met the eligibility requirements. Separate financial statements are not prepared for the Plan.

**Contribution Information**

For fiscal year 2011-12, the District contributed \$256,506 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)	\$	662,542
Annual OPEB Cost (expenses)	\$	(256,506)
Increase in net OPEB obligation	\$	406,036
Net OPEB obligation, beginning of year	\$	1,905,525
Net OPEB obligation, end of year	\$	<u>2,311,561</u>

**LOWELL JOINT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2012**

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2012 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
06/30/10	\$ 931,107	17.1%	\$ 1,463,112
06/30/11	\$ 669,201	33.9%	\$ 1,905,525
06/30/12	\$ 662,542	38.7%	\$ 2,311,561

**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 5%. 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, 2012**

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, 2012, assets of the plan totaled \$100,202.

**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, 2012, the District's contribution is \$0 and there are 69 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 2011-12 was \$6,310. The District future payments are as follows:

<b>School Year</b>	<b>Amount</b>
2012-2013	6,309.75
2013-2014	6,309.75
2014-2015	6,309.75
2015-2016	6,309.75
	<u>\$ 25,239.00</u>



**REQUIRED SUPPLEMENTARY  
INFORMATION SECTION**

**LOWELL JOINT SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Budget</u>		<u>Actual (GAAP Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Revenue limit sources	15,305,354	15,521,021	15,525,285	4,264
Federal sources	1,225,047	1,250,715	1,244,661	(6,054)
Other state sources	4,103,449	4,214,311	4,328,405	114,094
Other local sources	81,000	196,571	236,247	39,676
Total revenues	<u>20,714,850</u>	<u>21,182,618</u>	<u>21,334,598</u>	<u>151,980</u>
<b>Expenditures</b>				
Certificated salaries	10,705,683	10,827,745	10,775,955	51,790
Classified salaries	3,089,092	3,188,558	3,113,126	75,432
Employee benefits	4,653,350	4,690,809	4,650,629	40,180
Books and supplies	591,897	982,156	723,036	259,120
Services and other expenditures	2,028,014	1,990,288	1,824,424	165,864
Other outgo	575,108	560,519	490,086	70,433
Direct support/indirect costs	(22,000)	(22,000)	(25,136)	3,136
Total expenditures	<u>21,621,144</u>	<u>22,218,075</u>	<u>21,552,120</u>	<u>665,955</u>
Excess (deficiency) of revenues over (under) expenditures	(906,294)	(1,035,457)	(217,522)	\$ 817,935
<b>Other financing (uses)</b>				
Transfer in	-	-	-	-
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures and other financing (uses)	(906,294)	(1,035,457)	(217,522)	817,935
Fund balance - July 1	<u>5,083,093</u>	<u>5,083,093</u>	<u>5,083,093</u>	<u>-</u>
Fund balance - June 30	<u>\$ 4,185,999</u>	<u>\$ 4,056,836</u>	<u>\$ 4,874,771</u>	<u>\$ 817,935</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, 2012**

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)]
7/1/2008	\$ -	\$ 8,269,920	\$ 8,269,920	0.00%	\$ 15,094,450	54.79%

**SUPPLEMENTARY INFORMATION SECTION**

**LOWELL JOINT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FISCAL YEAR ENDED JUNE 30, 2012**

	<b>Cafeteria Special Revenue</b>	<b>Deferred Maintenance</b>	<b>Totals</b>
<b>Assets</b>			
Cash in county treasury	\$ 196,742	\$ 33,682	\$ 230,424
Cash on Hand and in Banks	106,491	-	106,491
Cash in Revolving Fund	147	-	147
Accounts receivable	97,782	92	97,874
Store Inventory	12,393	-	12,393
Total assets	<u>413,555</u>	<u>33,774</u>	<u>447,329</u>
<b>Liabilities and fund balances</b>			
Liabilities:			
Accounts payable	\$ 19,755	\$ 2,774	\$ 22,529
Due to other funds	-	-	-
Deferred revenue	6,224	-	6,224
Total liabilities	<u>25,979</u>	<u>2,774</u>	<u>28,753</u>
Fund balances:			
Reserved Funds	386,284		386,284
Unreserved:			
Designated	1,292	31,000	32,292
Total fund balances	<u>387,576</u>	<u>31,000</u>	<u>418,576</u>
Total liabilities and fund balances	<u>\$ 413,555</u>	<u>\$ 33,774</u>	<u>\$ 447,329</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, 2012**

	<b>Cafeteria Special Revenue</b>	<b>Deferred Maintenance</b>	<b>Totals</b>
<b>Revenues</b>			
Federal revenues	\$ 507,744	\$ -	\$ 507,744
Other State revenues	44,044	-	44,044
Other local revenues	<u>359,935</u>	<u>842</u>	<u>360,777</u>
Total revenues	<u>911,723</u>	<u>842</u>	<u>912,565</u>
<b>Expenditures</b>			
Certificated salaries	-	-	-
Classified salaries	305,077	57,357	362,434
Employee benefits	92,993	26,140	119,133
Books and supplies	303,845	1,695	305,540
Services and other expenditures	4,128	13,668	17,796
Other outgo-Transfers of indirect cos	<u>25,136</u>	<u>-</u>	<u>25,136</u>
Total expenditures	<u>731,179</u>	<u>98,860</u>	<u>830,039</u>
Excess of revenues over expenditures	180,544	(98,018)	82,526
<b>Other financing sources</b>			
Transfer out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	180,544	(98,018)	82,526
Fund balances - July 1	<u>207,032</u>	<u>129,018</u>	<u>336,050</u>
Fund balances - June 30	<u><u>\$ 387,576</u></u>	<u><u>\$ 31,000</u></u>	<u><u>\$ 418,576</u></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, 2012**

	<u>Capital Facilities</u>	<u>Totals</u>
<b>Assets</b>		
Cash in county treasury	\$ 132,120	\$ 132,120
Accounts receivable	4,898	4,898
Total assets	<u>137,018</u>	<u>137,018</u>
<b>Liabilities and fund balances</b>		
Liabilities:		
Accounts payable	1,587	1,587
Total liabilities	<u>1,587</u>	<u>1,587</u>
Fund balances:		
Reserved Funds	-	-
Unreserved:		
Designated	135,431	135,431
Undesignated funds	-	-
Total fund balances	<u>135,431</u>	<u>135,431</u>
Total liabilities and fund balances	<u>\$ 137,018</u>	<u>\$ 137,018</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, 2012**

	<u>Capital Facilities</u>	<u>Totals</u>
<b>Revenues</b>		
Local revenues	\$ 128,343	\$ 128,343
Total revenues	<u>128,343</u>	<u>128,343</u>
<b>Expenditures</b>		
Books and supplies	29,285	29,285
Services and other expenditures	99,295	99,295
Capital outlay	350,750	350,750
Other outgo	-	-
Direct support/indirect costs	-	-
Debt Service:	-	-
Principal	-	-
Interest	-	-
Total expenditures	<u>479,330</u>	<u>479,330</u>
Excess of revenues over expenditures	(350,987)	(350,987)
<b>Other financing sources (uses)</b>		
Transfer out	-	-
Total other financing sources (use	<u>-</u>	<u>-</u>
<b>Special Items</b>		
Excess (deficiency) of revenues over (under) expenditures	(350,987)	(350,987)
Fund balances - July 1	<u>486,418</u>	<u>486,418</u>
Fund balances - June 30	<u>\$ 135,431</u>	<u>\$ 135,431</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, 2012**

	<b>Rancho Starbuck Intermediate School</b>	<b>Totals</b>
	<hr/>	<hr/>
<u>Assets</u>		
Cash in bank	\$ 53,209	\$ 53,209
Total assets	<u>\$ 53,209</u>	<u>\$ 53,209</u>
<u>Liabilities</u>		
Due to general student body	\$ 53,209	\$ 53,209
Total liabilities	<u>\$ 53,209</u>	<u>\$ 53,209</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, 2012**

<u>School Name Accounts</u>	<b>Balance June 30 2011</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30 2012</b>
<i><u>Rancho Starbuck Intermediate School</u></i>				
<u>Assets</u>				
Cash in Bank	\$ 47,784	\$ 81,734	\$ 76,309	\$ 53,209
Total Assets	<u>\$ 47,784</u>	<u>\$ 81,734</u>	<u>\$ 76,309</u>	<u>\$ 53,209</u>
<u>Liabilities</u>				
Due to general student body	\$ 47,784	\$ 81,734	\$ 76,309	\$ 53,209
Total Liabilities	<u>\$ 47,784</u>	<u>\$ 81,734</u>	<u>\$ 76,309</u>	<u>\$ 53,209</u>

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

**LOWELL JOINT SCHOOL DISTRICT  
ORGANIZATION  
JUNE 30, 2012**

**GOVERNING BOARD**

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Darin Barber	President	November 2014
James Najera	Vice President	November 2012
William Hinz	Clerk	November 2014
Fred Schambeck	Member	November 2012
Anastasia Shackelford	Member	November 2014

**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, 2012**

	<b>Second Period Report</b>	<b>Annual Report</b>
Elementary:		
Kindergarten	335	334
Grades 1 through 3	956	956
Grades 4 through 6	1,011	1,013
Grades 7 through 8	686	686
Home and hospital	2	1
Special Education	91	95
Elementary Totals	<u>3,081</u>	<u>3,085</u>
Reported by County Offices:		
Elementary	3	3
Special Education	<u>2</u>	<u>3</u>
County Office Totals	<u>5</u>	<u>6</u>
ADA Totals	<u><u>3,086</u></u>	<u><u>3,091</u></u>

See accompanying notes to supplementary information.

**LOWELL JOINT SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL TIME  
FISCAL YEAR ENDED JUNE 30, 2012**

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement</u>	<u>2011-12 Minutes Requirement</u>
Kindergarten	35,438	36,000	35,000
Grades 1 through 3	42,875	50,400	49,000
Grades 4 through 6	53,812	54,000	52,500
Grades 7 through 8	59,500	54,000	57,847

<u>Grade Level</u>	<u>2011- 2012 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	35,000	175	Complied
Grades 1 through 3	53,150	175	Complied
Grades 4 through 6	53,150	175	Complied
Grades 7 through 8	59,066	175	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, 2012**

<b>General Fund</b>	<b>(Budget) * 2013</b>	<b>2012</b>	<b>2011</b>
Revenues and Other Financial Sources	\$ 19,818,653	\$ 21,334,598	\$ 21,855,963
Expenditures	21,827,220	21,552,120	20,909,364
Other Uses and Transfers Out	\$ -	-	-
Total Outgo	<u>21,827,220</u>	<u>21,552,120</u>	<u>20,909,364</u>
Change in Fund Balance	<u>(2,008,567)</u>	<u>(217,522)</u>	<u>946,599</u>
Ending Fund Balance	<u>\$ 2,866,144</u>	<u>\$ 4,874,711</u>	<u>\$ 5,083,093</u>
Available Reserves **	<u>2,712,883</u>	<u>\$ 4,661,420</u>	<u>\$ 4,429,496</u>
Available Reserves as a Percentage of Total Outgo	12.4%	21.6%	21.2%
State Recommended Available Reserves Percentage	3.0%	3.0%	3.0%
Total Long-Term Debt	\$ 2,932,498	\$ 2,465,429	\$ 1,998,360
Average Daily Attendance at P-2	3,086	3,086	3,023

\* 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 within general fund.

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>2010</u>	<u>2009</u>	<u>2008</u>
\$ 20,917,634	\$ 23,000,457	\$ 23,000,457
22,071,807	22,124,757	22,124,757
-	193,218	193,218
<u>22,071,807</u>	<u>22,317,975</u>	<u>22,317,975</u>
<u>(1,154,173)</u>	<u>682,482</u>	<u>682,482</u>
<u>\$ 4,136,494</u>	<u>\$ 5,292,830</u>	<u>\$ 4,436,220</u>
<u>\$ 3,552,775</u>	<u>\$ 2,877,585</u>	<u>\$ 2,877,585</u>
16.1%	12.9%	12.9%
3.0%	3.0%	3.0%
\$ 1,998,360	\$ 1,384,336	\$ 1,384,336
2,950	3,018	3,018

See accompanying notes to the supplementary information.

**LOWELL JOINT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2012**

<b>Program Name</b>	<b>Federal CFDA Number</b>	<b>Program Cost Account (PCA) Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Education:</b>			
<i>Passed through California Department of Education (CDE):</i>			
Title I, Part A, Basic Grants Low-income and Neglected Education Jobs Fund	84.010	14329	\$ 316,624
Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.410	25152	8,321
Special Ed: IDEA Preschool Grants, Part B, Sec 619	84.027	13379	545,086
Special Ed: IDEA Preschool Local Entitlement, Part B, Sec 611	84.173	13430	17,859
NCLB: Title II, Part A, Teacher Quality	84.027A	13682	44,452
NCLB: Title III, Limited English Proficient (LEP) Student Program	84.367	14341	80,660
	84.365	14346	46,012
Total U.S. Department of Education			<u>1,059,014</u>
<b>U.S. Department of Health and Human Services:</b>			
Unrestricted: Medi-Cal Administrative Activities (MAA)	93.778	10060	121,247
Medi-Cal Billing Option	93.778	10013	64,400
Total U.S. Department of Health and Human Services			<u>185,647</u>
<b>U.S. Department of Agriculture:</b>			
<i>Passed through California Department of Education (CDE):</i>			
National School Lunch Program	10.555	13524	507,744
Total U.S. Department of Agriculture			<u>507,744</u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$ 1,752,405</b></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, 2012**

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, 2012**

**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**

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**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**

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

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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2012. 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.

**Internal Control over Financial Reporting**

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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.

This report is intended solely for the information and use of Board of Education, management, federal awarding agencies, pass-through entities and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

*Quezada, Wong & Associates*

Pasadena, California  
December 14, 2012

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT  
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

INDEPENDENT AUDITORS' REPORT

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

**Compliance**

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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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,<sup>6</sup> 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 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 opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, Lowell Joint School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

## **Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 the 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of Board of Education, management, federal awarding agencies, pass-through entities and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

*Quezada, Wong & Associates*

Pasadena, California  
December 14, 2012

**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Board of Education  
 Lowell Joint School District

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 2011-12 applicable to the District's government programs as noted below for the year ended June 30, 2012. Compliance with the requirements referred to above is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-12 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.

In our opinion, Lowell Joint School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2012.

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	6	Yes
County Offices of Education	3	N/A*
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*



Description	Procedures in Audit Guide	Procedures Performed
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement – Receipt of Funds	1	Yes
Juvenile Court Schools	8	N/A*
Class size reduction (including in charter schools):		
General requirements	7	Yes
Option one	3	Yes
Option two	4	Yes
District or charter schools with only one school serving K-3	4	N/A*
After School Education and Safety program:		
General requirements	4	N/A*
After School	5	N/A*
Before School	6	N/A*
For Charter Schools:		
Contemporaneous Records of Attendance	1	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	3	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.

This report is intended solely for the information and use of the District Board of Education, management, State Controller's Office, Department of Finance, Department of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Quezada, Wong & Associates*

Pasadena, California  
December 14, 2012

## **FINDINGS AND RECOMMENDATIONS SECTION**

**LOWELL JOINT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FISCAL YEAR ENDED JUNE 30, 2012**

**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>
84.010	Title I Part A
84.027	Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611
10.555	National School Lunch Program

**LOWELL JOINT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012**

There is no prior audit findings.