

**LAS LOMITAS ELEMENTARY
SCHOOL DISTRICT
COUNTY OF SAN MATEO
MENLO PARK, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2012



CHAVAN & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS
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**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
SAN MATEO COUNTY**

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SAN MATEO COUNTY**

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FINANCIAL
SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Las Lomas Elementary School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Las Lomas Elementary 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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-12 (K-12 Audit Guide)*, prescribed by the California State Controller's Office. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District at June 30, 2012, and the respective changes in financial position 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 a report dated November 2, 2012 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 37 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



Chavan & Associates, LLP
Certified Public Accountants

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 an opinion on the financial statements that collectively comprise District's basic financial statements. The combining and individual fund financial statements and other schedules listed in the supplementary section of the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the District. These statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the District. This 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

C & A LLP

November 2, 2012
San Jose, California

Management's Discussion and Analysis

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

This discussion and analysis of the Las Lomas Elementary School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2011-2012 are as follows:

- Total net assets from governmental activities were \$19,989,068 of June 30, 2012.
- General revenue accounted for \$20,631,480 of the District's \$21,223,594 in total revenue.
- The District had \$20,577,913 in expenditures for all governmental funds.
- Among major funds, the General Fund had \$18,809,414 in revenues and \$18,304,328 in expenditures. The fund balance in the General Fund increased by \$416,086 from June 30, 2011 to June 30, 2012.

Using the Annual Report

This annual report consists of a series of basic financial statements and notes to those statements. These statements are organized so the reader can understand Las Lomas Elementary School District as a financial whole, an entire operating entity. The statements provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities comprise the District-wide financial statements and provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of Las Lomas Elementary School District, the General Fund is by far the most significant fund.

The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Overview of the Financial Statements

The full annual financial report is a product of three separate parts: the basic financial statements, supplementary information, and this section, Management's Discussion and Analysis. The three sections together provide a comprehensive financial overview of the District. The basic financials are comprised of two kinds of statements that present financial information from different perspectives, district-wide and funds.

- District-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.
- Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information section provides further explanations and additional support for the financial statements.

District-Wide Financial Statements - Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year 2011 - 2012?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in California restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, and pupil transportation. The District does not have any business like activities.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 14. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. These fund financial statements focus on each of the District's most significant funds. The District's major governmental funds are the General Fund, and Bond Interest and Redemption Fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary funds

The District is the trustee for assets that belong to the La Entrada Student Council. The District is responsible for ensuring that the assets reported are used only for intended purposes and by those to whom the assets belong. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net assets as of June 30, 2012.

Table 1 - Summary of Net Assets				
	2012	2011	Dollar Change	Percent Change
Assets				
Current and Other Assets	\$ 14,226,268	\$ 13,450,103	\$ 776,165	6%
Capital Assets	25,459,994	25,441,251	18,743	0%
Total Assets	\$ 39,686,262	\$ 38,891,354	\$ 794,908	2%
Liabilities				
Other Liabilities	\$ 1,341,989	\$ 1,223,364	\$ 118,625	10%
Long-term Liabilities	18,355,205	19,441,010	(1,085,805)	-6%
Total Liabilities	\$ 19,697,194	\$ 20,664,374	\$ (967,180)	-5%
Net Assets				
Invested in Capital Assets, Net of Debt	\$ 8,928,236	\$ 7,441,632	\$ 1,486,604	20%
Restricted	2,971,382	3,677,462	(706,080)	-19%
Unrestricted	8,089,450	7,107,886	981,564	14%
Total Net Assets	\$ 19,989,068	\$ 18,226,980	\$ 1,762,088	10%

The District's net assets were \$19,989,068. Of this amount \$8,928,236 was invested in capital assets net of debt.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Table 2 shows the changes in net assets for fiscal year 2011-2012.

Table 2 - Change in Net Assets				
	2012	2011	Increase (Decrease)	Percent
Revenues				
Program Revenues:				
Operating Grants and Contributions	\$ 592,114	\$ 704,443	\$ (112,329)	-15.9%
General Revenues:				
Property Taxes	15,242,358	15,091,628	150,730	1.0%
Grants and Entitlements - Unrestricted	691,710	719,169	(27,459)	-3.8%
Other	4,697,412	3,519,858	1,177,554	33.5%
Total Revenues	21,223,594	20,035,098	1,188,496	5.9%
Program Expenses				
Instruction	12,485,730	11,939,338	546,392	4.6%
Instruction-Related Services	1,734,782	1,790,300	(55,518)	-3.1%
Pupil Services	1,068,547	947,767	120,780	12.7%
General Administration	1,725,512	1,342,119	383,393	28.6%
Plant Services	1,731,097	1,536,361	194,736	12.7%
Other Outgo	176,499	112,787	63,712	56.5%
Interest and Fiscal Charges	539,339	611,064	(71,725)	-11.7%
Total Expenses	19,461,506	18,279,736	1,181,770	6.5%
Change in Net Assets	\$ 1,762,088	\$ 1,755,362	\$ 6,726	0.4%

The District's total revenues increased by 5.9% from 10-11 to 11-12.

Instruction, pupil services, and general administration increases were due to the hiring of additional staff to accommodate growing student enrollment and to restore previous cuts to administrative positions. The increase in enrollment necessitated the addition of portable classrooms which accounts for the increase in plant services. Other outgo expenditures rose to support the percentage set by the Board in reserve for Economic Uncertainty. Interest expenses on the general obligation bond decreased in 2011-12.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Governmental Activities

Direct Instruction Costs comprise 64 percent of district expenses. The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by General Fund Revenues.

Table 3 - Net Cost of Services					
Function	2012	2011	Increase (Decrease)	Percent	
Instruction	\$ 12,069,609	\$ 11,599,224	\$ 470,385	4.06%	
Instruction-Related Services	1,728,283	1,692,038	36,245	2.14%	
Pupil Services	971,318	759,147	212,171	27.95%	
General Administration	1,725,512	1,342,119	383,393	28.57%	
Plant Services	1,731,097	1,536,281	194,816	12.68%	
Other outgo	104,234	35,420	68,814	194.28%	
Interest and Fiscal Charges	539,339	611,064	(71,725)	-11.74%	
Total Expenses	\$ 18,869,392	\$ 17,575,293	\$ 1,294,099	7.36%	

Direct Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Pupil Services and Instruction-Related Services include the activities involved with assisting staff with the content and process of teaching to pupils.

General Administration includes the costs for the Board of Trustees, administration, fiscal and business services and other expenses associated with administrative and financial supervision of the District.

Plant Services includes the operation and maintenance of plant activities to keep the school grounds, buildings, and equipment in an effective working condition.

Other Outgo includes payment to the County Office of Education and other school districts for providing services for Special Education students.

Interest and Fiscal Charges involve the transactions associated with the payment of interest and other related charges to debt of the District.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The District's Funds

The District's governmental funds report a combined fund balance of \$12,976,940, which is an increase from last year's total of \$12,331,260. Table 4 provides an analysis of the District's fund balances and the total change in fund balances from the prior year.

Table 4 - Change in Fund Balances				
Funds	2012	2011	Increase (Decrease)	
General Fund	\$ 9,305,994	\$ 8,889,908	\$	416,086
Deferred Maintenance Fund	592,999	532,388		60,611
Building Fund	-	96,474		(96,474)
Capital Facilities Fund	265,295	131,698		133,597
Special Reserve Fund for Capital Projects	597,635	596,215		1,420
Bond Interest & Redemption Fund	2,215,017	2,084,577		130,440
Total Governmental Fund Balances	\$ 12,976,940	\$ 12,331,260	\$	645,680

The decrease in the Building Fund balance is due to completion of planned expenditures in that fund. The Bond Interest and Redemption Fund for the general obligation bond debt service is maintained by the County.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

General Fund Budgeting Highlights

The District's budget is prepared according to California law and is based on the modified accrual basis of accounting.

During the course of the 2011-2012 fiscal year, the District revised its General Fund budget two times – at 1st Interim and 2nd interim - which resulted in a decrease in revenues by \$201,285 and a decrease in expenses of \$685,611. The overall decrease in revenues was largely due to prior year deferred revenue being removed from local revenue at year end to establish carryover balances in accounts such as PTA, Apple for the Classroom and other prior year grants. Expenditures decreased in instructional supplies due to the realization of the projected carryover of restricted programs and Special Education services to outside vendors were less than anticipated. For both interims, the District received a positive certification from the state indicating the District could meet its projected financial obligations for the current fiscal year as well as for the two subsequent fiscal years.

Capital Assets

At the end of the fiscal year 2011-2012, the District had \$41,470,377 invested in land, buildings, furniture and equipment.

Table 5 shows the June 30, 2012 balances.

Table 5 - Summary of Capital Assets Net of Depreciation					
Capital Asset	2012			2011	Percentage Change
	Cost	Accumulated Depreciation	Net Capital Asset	Net Capital Asset	
Land	\$ 497,287	\$ -	\$ 497,287	\$ 497,287	0.0%
Site Improvements	5,405,423	3,427,839	1,977,584	2,111,550	-6.3%
Buildings and Improvements	34,368,008	11,825,240	22,542,768	22,555,195	-0.1%
Property and Equipment	1,199,659	757,304	442,355	277,219	59.6%
Totals	\$41,470,377	\$ 16,010,383	\$ 25,459,994	\$ 25,441,251	0.1%

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Long Term Liabilities

Table 6 - Summary of Long-term Liabilities			
Type of Liability	2012	2011	Percentage Change
General obligation bonds	\$ 16,124,944	\$ 17,544,944	-8.09%
Loss on early retirement of bonds	(802,733)	(897,172)	-10.53%
Unamortized bond premiums - net	1,410,486	1,576,426	-10.53%
Net OPEB obligation	1,500,678	1,090,963	37.56%
Compensated absences	121,830	125,849	-3.19%
Total Long-term Liabilities	\$ 18,355,205	\$ 19,441,010	-5.59%

The District continues to pay down its debt, retiring \$1,420,000 in 2011-12. There are no current plans to issue new debt.

Factors Bearing on the District's Future

The District's 2011-12 budget includes projected movement on the salary schedules for units and years of service. Any negotiated salary increases for employees will be added to the budget at the time of the settlements. Certificated staffing was added as a result of attrition and to maintain program needs. Recent enrollment growth has been approximately 5% per year. The District is studying this pattern and will have to budget for more growth and facilities. Costs for Special Education services continue to increase and the District has developed new programs to better serve these students within the District. The State continues the \$120/ADA and categorical income reduction implemented in 2003-04 as well as the deferred payments for the majority of the categorical programs. The District has budgeted for a Basic Aid Fair Share reduction of 8.92% to State revenue in 2011/12, increasing to 9.57% in 2012-13. This reduction is anticipated to be ongoing at the rate of 8.92%. Since the State budget crisis is expected to continue into future years, the District will be considering future budget reductions if increased revenue projections do not materialize or if changes occur to the current basic aid funding model. The District's property tax income for 2012-13 is projected to be 4.0% more than in 2011-12. In subsequent years property tax revenues are projected to increase by 3.5%. The Las Lomas Education Foundation grant to the District is budgeted for \$2,200,000 and sources indicate the Foundation will be able to continue funding at or above this minimum amount. Parcel tax revenue is expected to remain constant as the number of seniors eligible for exemption has stabilized since approving the tax in 2007. Rental income is adjusted annually according to the individual lease agreements with the District's three tenants.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact Carolyn Chow, Chief Business Officer, Las Lomas Elementary School District, 1011 Altschul Avenue, Menlo Park, CA 94025.

Basic Financial Statements

LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
Assets	
Current assets:	
Cash and investments	\$ 13,563,762
Accounts receivable	461,567
Total current assets	<u>14,025,329</u>
Noncurrent assets:	
Unamortized bond issuance costs - net	200,939
Capital assets:	
Land - nondepreciable	497,287
Site improvements	5,405,423
Building and improvements	34,368,008
Furniture and equipment	1,199,659
Less accumulated depreciation	<u>(16,010,383)</u>
Capital assets - net	<u>25,459,994</u>
Total noncurrent assets	<u>25,660,933</u>
Total Assets	<u><u>\$ 39,686,262</u></u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 657,915
Deferred revenue	390,474
Accrued interest	<u>293,600</u>
Total current liabilities	<u>1,341,989</u>
Long-term liabilities:	
Due within one year:	
General obligation bonds payable	1,585,000
Due after one year:	
General obligation bonds payable	14,539,944
Deferred loss on early retirement of long-term debt	(802,733)
Unamortized bond premium	1,410,486
Annual net OPEB obligation	1,500,678
Compensated absences payable	<u>121,830</u>
Total due after one year	<u>16,770,205</u>
Total long-term liabilities	<u>18,355,205</u>
Total Liabilities	<u><u>\$ 19,697,194</u></u>
Net Assets	
Invested in capital assets, net of related debt	\$ 8,928,236
Restricted for:	
Debt service	2,215,017
Educational programs	<u>756,365</u>
Total restricted net assets	<u>2,971,382</u>
Unrestricted	<u>8,089,450</u>
Total Net Assets	<u><u>\$ 19,989,068</u></u>

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

LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental activities			
Instruction	\$ 12,485,730	\$ 416,121	\$ (12,069,609)
Instruction-related services:			
Supervision of instruction	447,802	6,455	(441,347)
Instruction library, media and technology	286,038	-	(286,038)
School site administration	1,000,942	44	(1,000,898)
Pupil services:			
Home-to-school transportation	388,320	73,255	(315,065)
Food services	15,721	-	(15,721)
All other pupil services	664,506	23,974	(640,532)
General administration:			
Data processing	243,453	-	(243,453)
All other general administration	1,482,059	-	(1,482,059)
Plant services	1,731,097	-	(1,731,097)
Other outgo	176,499	72,265	(104,234)
Interest on long-term debt	539,339	-	(539,339)
Total governmental activities	<u>\$ 19,461,506</u>	<u>\$ 592,114</u>	<u>(18,869,392)</u>
General revenues:			
Taxes and subventions:			
Taxes levied for general purposes			11,897,353
Taxes levied for debt service			2,162,168
Taxes levied for other specific purposes			1,182,837
Federal and state aid not restricted to specific purposes			691,710
Interest and investment earnings			128,630
Rental income			1,828,885
Miscellaneous			<u>2,739,897</u>
Total general revenues			20,631,480
Change in net assets			1,762,088
Net assets beginning			<u>18,226,980</u>
Net assets ending			<u><u>\$ 19,989,068</u></u>

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

LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 9,977,280	\$ 2,210,614	\$ 1,375,868	\$ 13,563,762
Accounts receivable	437,235	4,403	19,929	461,567
Due from other funds	397,005	-	89,674	486,679
Total Assets	<u>\$ 10,811,520</u>	<u>\$ 2,215,017</u>	<u>\$ 1,485,471</u>	<u>\$ 14,512,008</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 628,378	\$ -	\$ 29,537	\$ 657,915
Due to other funds	486,674	-	5	486,679
Deferred revenue	390,474	-	-	390,474
Total Liabilities	<u>1,505,526</u>	<u>-</u>	<u>29,542</u>	<u>1,535,068</u>
Fund balances:				
Nonspendable:				
Revolving fund	1,000	-	-	1,000
Restricted for:				
Educational programs	756,365	-	-	756,365
Debt service	-	2,215,017	-	2,215,017
Committed for:				
Repairs and maintenance	-	-	592,999	592,999
Assigned for:				
Capital projects	300,000	-	597,635	897,635
Educational programs	1,780,843	-	-	1,780,843
Other postemployment benefits	858,677	-	-	858,677
Site repairs	740,000	-	265,295	1,005,295
Technology	200,000	-	-	200,000
Unassigned:				
Unappropriated	4,669,109	-	-	4,669,109
Total Fund Balances	<u>9,305,994</u>	<u>2,215,017</u>	<u>1,455,929</u>	<u>12,976,940</u>
Total Liabilities and Fund Balances	<u>\$ 10,811,520</u>	<u>\$ 2,215,017</u>	<u>\$ 1,485,471</u>	<u>\$ 14,512,008</u>

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

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

Total fund balances - governmental funds		\$	12,976,940
Amounts reported for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$41,470,377 and the accumulated depreciation is \$16,010,383.			25,459,994
To recognize accrued interest at year end.			(293,600)
In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issuance costs have been included in the statement of assets in the amount of:			200,939
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 consists of:			
General obligation bonds	\$	16,124,944	
Unamortized bond premium		1,410,486	
Deferred loss on early retirement of long-term debt		(802,733)	
Annual net OPEB obligation		1,500,678	
Compensated absences (vacation)		121,830	
			<u>(18,355,205)</u>
Total net assets - governmental activities		\$	<u>19,989,068</u>

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

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	General Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Revenue limit sources	\$ 12,189,150	\$ -	\$ -	\$ 12,189,150
Federal	315,860	-	-	315,860
Other state	528,778	8,024	38,630	575,432
Other local	5,775,626	2,165,116	202,409	8,143,151
Total revenues	18,809,414	2,173,140	241,039	21,223,593
Expenditures:				
Instruction	11,792,231	-	-	11,792,231
Instruction-related services:				
Supervision of instruction	418,725	-	-	418,725
Instruction library, media and technology	223,474	-	-	223,474
School site administration	953,902	-	-	953,902
Pupil services:				
Home-to-school transportation	348,908	-	-	348,908
Food services	15,377	-	-	15,377
All other pupil services	642,062	-	-	642,062
General administration:				
Data processing	238,190	-	-	238,190
All other general administration	1,437,520	-	-	1,437,520
Plant services	1,415,626	-	124,406	1,540,032
Facility acquisition and construction	641,814	-	106,479	748,293
Other outgo	176,499	-	-	176,499
Debt service:				
Principal	-	1,420,000	-	1,420,000
Interest and fees	-	622,700	-	622,700
Total expenditures	18,304,328	2,042,700	230,885	20,577,913
Excess (deficiency) of revenues over (under) expenditures	505,086	130,440	10,154	645,680
Other financing sources (uses):				
Operating transfers in	627,200	-	89,000	716,200
Operating transfers out	(716,200)	-	-	(716,200)
Total other financing sources (uses)	(89,000)	-	89,000	-
Net change in fund balances	416,086	130,440	99,154	645,680
Fund balances beginning	8,889,908	2,084,577	1,356,775	12,331,260
Fund balances ending	\$ 9,305,994	\$ 2,215,017	\$ 1,455,929	\$ 12,976,940

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

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Total net change in fund balances - governmental funds	\$ 645,680
Capital outlays 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 additions of \$1,001,100 is greater than depreciation expense of \$982,357.	18,743
The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:	
Repayment of bond principal	1,420,000
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an other financing source or other financing use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. The difference between premiums or discounts recognized in the current period and amortized over future periods is:	165,940
In governmental funds, debt issuance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issuance costs are amortized over the life of the debt. The difference between debt issuance costs recognized in the current period and issuance costs amortized for the period is:	(23,640)
In governmental funds, deferred loss on early retirement of long-term debt is recognized as other financing uses. In the government-wide statements, the deferred losses on early retirement of long-term debt is amortized over the life of the debt. The difference between other financing uses and amortization is:	(94,439)
In the statement of activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year vacation time earned was less than the amount used by \$4,019	4,019
In the statement of activities, the net postemployment benefit obligation is the amount by which the contributions toward the OPEB plan were less than the annual required contribution as actuarially determined. The net postemployment benefit obligation is not recorded in the governmental fund statements. The change in the net OPEB obligation was recorded in the statement of activities in the amount of	(409,715)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	35,500
Changes in net assets of governmental activities	\$ 1,762,088

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

LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Student Body Agency Fund
Assets	
Cash on hand and in banks	<u>\$ 11,680</u>
Total Assets	<u><u>\$ 11,680</u></u>
Liabilities	
Due to student group	<u>\$ 11,680</u>
Total Liabilities	<u><u>\$ 11,680</u></u>

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

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Principles

The Las Lomas Elementary School District (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).

B. Reporting Entity

The District was organized under the laws of the State of California. The governing authority consists of five elected officials who, together, constitute the Board of Trustees. The District provides educational services to grades kindergarten through eighth and operates one elementary school and one middle school. The District's combined financial statements include the accounts of all its operations.

Component Units:

The District evaluated whether any other entity should be included in these financial statements. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for financial reports is the ability of the governmental unit's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

Accordingly, for the year ended June 30, 2012, the District does not have any component units and is not a component unit of any other reporting entity.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the District.

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 a 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 governmental activities. Direct expenses are those

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 that 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 nonmajor 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.

D. 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.

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.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Unearned/Deferred Revenue:

Unearned/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. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been 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. Allocations 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.

E. 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, nonmajor, and fiduciary funds as follows:

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 *Bond Interest and Redemption Fund* is maintained by the County Treasurer and is used to account for both the accumulation of resources from ad valorem tax levies and the interest and redemption of principal of the funding of general obligation bonds issued by the District.

Nonmajor Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed for purposes other than debt service or capital projects. The restricted or committed resources need to comprise a substantial portion of the inflows reported in the special revenue fund. The District maintains one nonmajor special revenue fund:

- The *Deferred Maintenance Fund* is used for the purpose of major repair or replacement of district property.

Capital Projects Funds are used to account for resources restricted, committed or assigned for capital outlays. The District maintains three nonmajor capital projects fund:

- The *Building Fund* is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

- The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).
- The *Special Reserve Fund for Capital Projects* exists primarily to account for major repairs of buildings and operational systems, construction or remodeling, new or replacement equipment, and any other qualifying capital expenditures.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains an agency fund for the student body accounts. The student body funds are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body.

In order to comply with the requirements of GASB 54, the District has combined transactions in the Special Reserve fund for Other than Capital Outlay (Special Reserve Fund) and the Special reserve fund for Other Postemployment Benefits (OPEB Fund) with the General Fund. The Special Reserve Fund and the OPEB Fund do not meet the definition of a special revenue fund as defined by GASB 54.

F. 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 district superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund are presented as Required Supplementary Information.

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.

G. 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.

H. Assets, Liabilities, and Equity

1. Cash and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation except for non-interest bearing accounts which are completely insured. In accordance with *Education Code* Section 41001, the district maintains substantially all of its cash in the County Treasury. 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.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

All District-directed investments are governed by Government Code Section 53601 and Treasury investment guidelines. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal securities. The District's securities portfolio is held by the County Treasurer. Interest earned on investments is recorded as revenue of the fund from which the investment was made.

2. Restricted Assets

Assets become restricted when constraints are imposed by creditors, contributors, and grantors, laws of other governments or enabling legislation that change the availability of the asset.

3. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method, in that inventory acquisitions are initially recorded as expenditures. 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.

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

4. 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:

<u>Assets</u>	<u>Years</u>
Improvement of sites	20
Buildings	50
Portable buildings	20
Building improvements	20
Furniture and fixtures	20
Playground equipment	20
Food services equipment	15
Transportation equipment	15
Telephone system	10
Vehicles	8
Computer system and equipment	5
Office equipment	5

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

5. 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. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures. Deferred revenue in the funds is recorded for grant and entitlement receivables that are not available within sixty days of year end and for cash receipts from grants and entitlements for which the District has not met the eligibility requirements for recognizing revenue.

6. Compensated Absences

All vacation pay plus related payroll tax is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts as well as issuance costs are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as prepaid expenditures and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts are reported as other financing sources/uses.

8. Fund Balance Classifications

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts, of 4 percent of general fund operating expenditures and other financing uses.

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

making authority and does not lapse at year-end. Committed fund balances are imposed by the District's board of education.

- Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Superintendent and the Chief Business Officer.
- Unassigned - includes positive fund balance within the general fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

9. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the district or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The district applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Capital Projects restrictions will be used for the acquisition and construction of capital facilities.

Debt Service restrictions reflect the cash balances in the debt service funds that are restricted for debt service payments by debt covenants.

Legally Restricted restrictions reflect the amounts to be expended for federal and state funded educational programs.

Site Repairs restrictions reflect amounts to be expended on routine maintenance and repairs of the District's facilities.

Other Educational Program restrictions reflect the amounts to be expended on specific school programs that are legally restricted.

Unrestricted net assets reflect net assets that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the fiscal year.

10. 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

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

roll are due on November 15 and March 15, 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.

11. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has joined together with other school districts in the County to form the San Mateo County Schools Insurance Group (SMCSIG) public entity risk pools currently operating as common risk management and insurance programs. The District pays an annual premium for its property and casualty, workers' compensation, medical, unemployment and liability insurance coverage. The Joint Powers Agreements provide that SMCSIG will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of self-insured levels.

12. 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 funds are eliminated as part of the reconciliation to the government-wide financial statements.

13. Accounting Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

I. Implemented New Accounting Pronouncements

Summary of Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions an amendment of GASB Statement No. 5 (Issued 06/11). The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of this Statement were implemented as of June 30, 2012 and did **not** have a significant impact on the District's financial statements.

J. Upcoming New Accounting Pronouncements

Summary of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements (Issued 12/10). The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The implementation of this standard will **not** have a significant impact on the District's financial statements.

Summary of Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (Issued 06/11). This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The implementation of this standard will **not** have a significant impact on the District's financial statements.

Summary of Statement No. 65 Items Previously Reported as Assets and Liabilities (Issued 03/12). This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement amends the

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The implementation of this standard will **not** have a significant impact on the District's financial statements.

Summary of Statement No. 67 Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25 (Issued 06/12). This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. This Statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement-determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement also details the note disclosure requirements for defined contribution pension plans administered through trusts that meet the identified criteria. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. Earlier application is encouraged. The determination of the impact on the District's financial statements from the implementation of this standard is pending as of the issuance date of this report.

Summary of Statement No. 68 Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 (Issued 06/12). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. This Statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement-determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement is effective for fiscal years beginning after June 15, 2014. Earlier application is encouraged. The determination of the impact on the District's financial statements from the implementation of this standard is pending as of the issuance date of this report.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 2 - CASH AND INVESTMENTS

A summary of cash and investments as of June 30, 2012 is as follows:

Deposit or Investment	Carrying Amount	Fair Value	Investment Rating
<i>Government-Wide Statements:</i>			
Cash in county treasury investment pool	\$ 13,562,612	\$ 13,620,474	AA
Cash with fiscal agent	150	150	n/a
Cash in revolving fund	1,000	1,000	n/a
Total Government-Wide Cash and Investments	13,563,762	13,621,624	
<i>Fiduciary Funds:</i>			
Cash in banks	11,680	11,680	n/a
Total Cash and Investments	\$ 13,575,442	\$ 13,633,304	

Cash in banks and revolving funds

As of June 30, 2012, the bank balance of the District's accounts totaled \$12,680. These accounts are held within Wells Fargo Bank. All bank balances were fully insured by the Federal Deposit Insurance Corporation ("FDIC"). FDIC covers up to \$250,000 per bank for interest bearing accounts. Coverage on noninterest bearing accounts is unlimited through December 31, 2013.

Cash in County Treasury

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

Policies and Practices

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. The District manages its exposure to interest rate risk by investing

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

in the County Treasury. The District maintains cash with the San Mateo County Investment Pool. The pool has a fair value of approximately \$868 million and an amortized book value of \$865 million.

Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the San Mateo County Investment Pool is governed by the County's general investment policy. The investment with the San Mateo County Investment Pool is rated at least Aa1 by Moody's Investor Service.

Custodial Credit Risk – Deposits

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

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 3 - ACCOUNTS AND NOTES RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2012:

Receivables	General Fund	Bond Interest Redemption Fund	Nonmajor Funds	Total
Federal Government:				
Special Education	\$ 63,801	\$ -	\$ -	\$ 63,801
Education Jobs Fund	3,658	-	-	3,658
Title II	40,307	-	-	40,307
State Government:				
Lottery	31,333	-	-	31,333
Special Education	137,987	-	-	137,987
Local Government:				
Title III	19,460	-	-	19,460
Interest	-	4,403	-	4,403
Other Resources	140,689	-	19,929	160,618
Accounts Receivable	\$ 437,235	\$ 4,403	\$ 19,929	\$ 461,567

NOTE 4 - INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables (Due From/To), 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. The balance in the Special Reserve Fund for Other Than Capital Outlay Projects is combined with the General Fund Balance for reporting purposes in the basic financial statements. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Receivables/Payables (Due From/Due To)

Interfund receivables and payables consisted of the following as of June 30, 2012:

Due To (Payable)	Due From (Receivable)			
	Special Reserve Fund for Other Than Capital Projects			Total Due To
	General Fund	Capital Projects	Nonmajor Funds	
General Fund	\$ -	\$ 397,000	\$ 89,674	\$ 486,674
Nonmajor Funds	5	-	-	5
Total Due From	\$ 5	\$ 397,000	\$ 89,674	\$ 486,679

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Interfund Transfers

Interfund transfers consisted of the following for the fiscal year ended June 30, 2012:

Fund Receiving Transfers	Fund Making Transfers	Amount
Special Reserve Fund for Other Than Capital Outlay	General Fund	\$ 627,200 1
Deferred Maintenance Fund	General Fund	89,000 2
		<u>\$ 716,200</u>

1 Transfer of funds to earmark the District's required operating reserve
2 Transfer to deferred maintenance for facilities acquisition and construction

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital assets consisted of the following as of June 30, 2012:

Capital Assets	Balance July 01, 2011	Adjustments & Additions	Deletions	Balance June 30, 2012
Land - not depreciable	\$ 497,287	\$ -	\$ -	\$ 497,287
Site improvements	5,405,423	-	-	5,405,423
Buildings and improvements	33,693,008	675,000	-	34,368,008
Furniture and equipment	873,559	326,100	-	1,199,659
Total capital assets	40,469,277	1,001,100	-	41,470,377
Less accumulated depreciation for:				
Site improvements	3,293,872	133,967	-	3,427,839
Buildings and improvements	11,137,814	687,426	-	11,825,240
Furniture and equipment	596,340	160,964	-	757,304
Total accumulated depreciation	15,028,026	982,357	-	16,010,383
Total capital assets - net depreciation	\$ 25,441,251	\$ 18,743	\$ -	\$ 25,459,994

Depreciation expense was charged to governmental activities as follows:

Depreciation expense was charged to governmental activities as follows:	
Instruction	\$ 677,285
Supervision of instruction	19,202
Instruction library, media and technology	56,309
School site administration	25,156
Home-to-school transportation	30,943
All other pupil services	7,933
All other general administration	12,250
Plant services	153,279
Total depreciation expense	\$ 982,357

NOTE 6 – LONG-TERM DEBT

Through elections, the District received authorization to issue general obligation bonds that requires the county to levy annual ad valorem taxes for the payment of interest and principal on the bonds. Bond proceeds are used to build additional classrooms and to perform repairs and renovations.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the district's financial statements. On June 30, 2009, \$19,730,000 of bonds outstanding was considered defeased. The outstanding General Obligation Bond debt consisted of the following as of June 30, 2012:

Bond	Year Issued	Interest Rate	Year of Maturity	Original Issue	Outstanding July 01, 2011	Issued	Redeemed	Outstanding June 30, 2012
2005 GOB	2005	3.9-5.0%	2020	\$ 22,129,944	\$ 17,544,944	\$ -	\$ 1,420,000	\$ 16,124,944

The annual debt service requirements of the General Obligation Bonds consisted of the following as of June 30, 2012:

Year Ending June 30	Principal	Interest	Total
2013	\$ 1,585,000	\$ 1,069,776	\$ 2,654,776
2014	715,598	1,625,207	2,340,805
2015	674,888	1,770,779	2,445,667
2016	634,458	1,175,723	1,810,181
2017	2,080,000	466,350	2,546,350
2018-2021	10,435,000	904,625	11,339,625
Total Debt Service	\$ 16,124,944	\$ 7,012,460	\$ 23,137,404

NOTE 7 - SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES

The following is a schedule of changes in long-term liabilities for the year ended June 30, 2012:

	Balance July 01, 2011	Additions	Deletions	Balance June 30, 2012	Due Within One Year
Long-term Debt					
General obligation bonds	\$ 17,544,944	\$ -	\$ 1,420,000	\$ 16,124,944	\$ 1,585,000
Unamortized bond premium	1,576,426	-	165,940	1,410,486	-
Loss on early retirement of bonds	(897,172)	-	(94,439)	(802,733)	-
Annual net OPEB obligation	1,090,963	617,319	207,604	1,500,678	-
Compensated absences	125,849	-	4,019	121,830	-
Total Long-term Debt	\$ 19,441,010	\$ 617,319	\$ 1,703,124	\$ 18,355,205	\$ 1,585,000

Payments on the general obligation bonds are made by the bond interest and redemption fund from local revenues. The accrued vacation will be paid by the fund for which the employee worked.

NOTE 8 - JOINT VENTURES (JOINT POWERS AGREEMENTS)

The District participates in a joint venture under a joint powers agreement (JPA) with the San Mateo County Schools Insurance Group (SMCSIG). The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes. The SMCSIG arranges and provides workers' compensation, medical, property and liability insurance for its members. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

and deficits proportionate to its participation in the JPA. The following is a summary the JPA financial statement information:

<i>Risk Management JPA's</i>	SMCSIG June 30, 2011
Total Assets	\$ 12,966,179
Total Liabilities	6,394,519
Total Equity	6,571,660
Total Revenues	32,100,860
Total Expenditures	32,096,438

NOTE 9 - COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the District may incur a liability to grantor agencies.

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS

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

Public Employees' Retirement System

a) 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 CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

b) Funding Policy

Active plan members are required to contribute 7% 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 CalPERS Board of Administration. The District's required employer contribution rate for fiscal year 2011-2012 was 10.923%. The contribution requirements of the plan members are established by state statute. The District's contribution to CalPERS for the fiscal years ending June 30, 2012, 2011 and 2010, were \$278,101, \$259,531, and \$228,683, respectively, and equals 100% of the required contributions for each year.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

State Teachers' Retirement System

a) Plan Description

The District contributes to the State Teachers' Retirement System (STRS), 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 report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7919 Folsom Boulevard, Sacramento, California 95826.

b) Funding Policy

Active plan members are required to contribute 8% 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 rate for fiscal year 2011-2012 was 8% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2012, 2011, and 2010, were \$760,891, \$712,879, and \$747,891, respectively, and equals 100% of the required contributions for each year.

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Postemployment Healthcare Plan

Plan Description. The District's Postemployment Healthcare Plan (PHP) is a single-employer defined benefit healthcare plan including medical, dental, and vision benefits for the following groups of employees.

	Certificated	Classified
Benefit types provided	Medical only	Medical only
Duration of benefits	Lifetime	Lifetime
Required service	10 Years	10 Years
Minimum age	55	50
Dependent coverage	No	No
District contribution %	50%	60%
District cap	50% of least expensive of four plans with greatest participation	60% of least expensive plan

Funding Policy. The required contribution to the PHP is based on projected pay-as-you-go financing requirements. For the fiscal year ended June 30, 2012, the District contributed \$207,604 to the plan from payment of current premiums and current retiree benefits.

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 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 liabilities (or funding excess) over a period not to exceed thirty years.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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:

Annual required contribution	\$ 617,319
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	617,319
Contributions made	(207,604)
Increase in net OPEB obligation	409,715
Net OPEB obligation - beginning of year	1,090,963
Net OPEB obligation - end of year	\$ 1,500,678

The District's 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 Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 504,570	43.88%	\$ 605,391
6/30/2011	693,662	30.00%	1,090,963
6/30/2012	617,319	33.63%	1,500,678

Actuarial Methods and Assumptions. In the Entry Age Normal method, the cost of each individual's OPEB benefits is amortized on a straight-line basis over his/her working career. For each employee, a "normal cost" is computed, the amount which, if accumulated during each year of employment, will at retirement be sufficient to fund the expected benefits for that individual. The sum of all the individual normal costs for all employees is called the Normal Cost. The accumulated value of all normal costs attributed to prior years, including the full value of benefits for all currently retired employees, is called the Actuarial Accrued Liability. The unfunded Actuarial Accrued Liability is amortized over a period of future years. The longest amortization period permitted under GASB 45 is 30 years. The ARC is the sum of the Normal Cost and the amortization of the unfunded Actuarial Accrued Liability. The remaining amortization period at June 30, 2012, was twenty-eight years.

The actuarial assumptions included a discount rate of 5% per year and an annual healthcare cost trend rate of 4 percent initially, reduced by decrements to an ultimate rate of 4 percent after ten years. The discount rate is the interest rate at which future benefit obligations are discounted back to the present time. GASB 45 requires that the discount rate reflect the expected investment return on the District's investments.

Required Supplementary Information (OPEB Schedule of Funding Progress)

Schedule of Funding Progress - Postemployment Healthcare Plan:						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a/c))
5/1/2011	\$ -	\$ 6,385,038	\$ 6,385,038	0.00%	\$ 10,226,169	62.44%
7/1/2011	\$ -	\$ 5,645,829	\$ 5,645,829	0.00%	\$ 10,226,169	55.21%

REQUIRED
SUPPLEMENTARY
INFORMATION

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (GAAP)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
	Original	Final		
Revenues:				
Revenue limit sources	\$ 12,093,221	\$ 12,180,475	\$ 12,189,150	\$ 8,675
Federal	285,860	317,259	315,860	(1,399)
Other state	472,486	556,605	528,778	(27,827)
Other local	5,512,242	5,956,360	5,775,626	(180,734)
Total revenues	18,363,809	19,010,699	18,809,414	(201,285)
Expenditures:				
Certificated salaries	9,336,751	9,103,624	9,103,623	1
Classified salaries	2,700,060	2,627,419	2,614,647	12,772
Employee benefits	3,063,162	3,047,148	3,038,273	8,875
Books and supplies	541,915	1,061,719	724,006	337,713
Services and other operating expenses	1,807,668	2,224,889	2,015,238	209,651
Capital outlay	1,279,118	720,587	632,041	88,546
Other outgo	160,000	204,553	176,500	28,053
Total expenditures	18,888,674	18,989,939	18,304,328	685,611
Excess (deficiency) of revenues over (under) expenditures	(524,865)	20,760	505,086	484,326
Other financing sources (uses):				
Operating transfers in	397,000	-	627,200	627,200
Operating transfers out	(486,000)	(716,200)	(716,200)	-
Total other financing sources (uses)	(89,000)	(716,200)	(89,000)	627,200
Net change in fund balance	<u>\$ (613,865)</u>	<u>\$ (695,440)</u>	416,086	<u>\$ 1,111,526</u>
Fund balance beginning			8,889,908	
Fund balances ending			<u>\$ 9,305,994</u>	

SUPPLEMENTARY
INFORMATION

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***Nonmajor Governmental Funds
Combining Schedules***

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR FUNDS
JUNE 30, 2012**

	Special Revenue Funds	Capital Projects Funds			
	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Totals
Assets					
Cash and investments	\$ 528,166	\$ -	\$ 251,411	\$ 596,291	\$ 1,375,868
Accounts receivable	999	5	17,581	1,344	19,929
Due from other funds	89,674	-	-	-	89,674
Total Assets	\$ 618,839	\$ 5	\$ 268,992	\$ 597,635	\$ 1,485,471
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 25,840	\$ -	\$ 3,697	\$ -	\$ 29,537
Due to other funds	-	5	-	-	5
Total Liabilities	25,840	5	3,697	-	29,542
Fund balances:					
Committed for:					
Repairs and maintenance	592,999	-	-	-	592,999
Assigned for:					
Capital projects	-	-	-	597,635	597,635
Site repairs	-	-	265,295	-	265,295
Total Fund Balances	592,999	-	265,295	597,635	1,455,929
Total Liabilities and Fund Balances	\$ 618,839	\$ 5	\$ 268,992	\$ 597,635	\$ 1,485,471

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Special Revenue Funds	Capital Projects Funds			
	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund	Totals
Revenues:					
Other state	\$ 38,630	\$ -	\$ -	\$ -	\$ 38,630
Other local	5,727	3,118	185,257	8,307	202,409
Total revenues	44,357	3,118	185,257	8,307	241,039
Expenditures:					
Plant services	72,746	-	51,660	-	124,406
Facility acquisition and construction	-	99,592	-	6,887	106,479
Total expenditures	72,746	99,592	51,660	6,887	230,885
Excess (deficiency) of revenues over (under) expenditures	(28,389)	(96,474)	133,597	1,420	10,154
Other financing sources (uses):					
Operating transfers in	89,000	-	-	-	89,000
Total other financing sources (uses)	89,000	-	-	-	89,000
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	60,611	(96,474)	133,597	1,420	99,154
Fund balances beginning	532,388	96,474	131,698	596,215	1,356,775
Fund balances ending	\$ 592,999	\$ -	\$ 265,295	\$ 597,635	\$ 1,455,929

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STATE AND FEDERAL
AWARD COMPLIANCE
SECTION

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
ORGANIZATION
FOR THE YEAR ENDED JUNE 30, 2012**

The Las Lomas Elementary School District was established in 1904 in San Mateo County, California. There were no changes in boundaries during the current year. The District is comprised of one elementary and one middle school.

Governing Board

Name	Office	Term Expires
Maria Doktorczyk	President	2012
Rich Ginn	Clerk	2014
Jay Siegel	Member	2014
John Macdonald	Member	2012
Ann Jaquith	Member	2014

Administration

Eric Hartwig
Superintendent

Carolyn Chow
Chief Business Officer

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
EXCESS SICK LEAVE
FOR THE YEAR ENDED JUNE 30, 2012**

Education Audit Appeals Panel Section 19833.5 (a)(3) or (a)(3)(b) Disclosure

Las Lomitas Elementary School District does not provide more than 12 sick leave days in a school year to any CalSTRS member.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Second Period Report	Annual Report
Elementary:		
Kindergarten	148.40	148.44
Grades one through three	452.00	451.33
Grades four through six	390.20	397.44
Grades seven and eight	234.20	235.67
Special education	8.00	9.00
ADA Totals	<u>1,232.80</u>	<u>1,241.88</u>

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME OFFERED
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Grade Level	1982-83 Actual Minutes	Reduced 1982-83 Actual Minutes ⁽¹⁾	1986-87 Minutes Requirements	Reduced 1986-87 Minutes Requirements ⁽¹⁾	2011-12 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	31,680	29,508	36,000	33,531	36,000	180	0	In compliance
Grade 1	52,800	49,179	50,400	46,944	52,800	180	0	In compliance
Grade 2	52,800	49,179	50,400	46,944	52,800	180	0	In compliance
Grade 3	52,800	49,179	50,400	46,944	52,800	180	0	In compliance
Grade 4	56,862	52,963	54,000	50,297	56,862	180	0	In compliance
Grade 5	56,862	52,963	54,000	50,297	56,862	180	0	In compliance
Grade 6	63,234	58,898	54,000	50,297	63,234	180	0	In compliance
Grade 7	63,234	58,898	54,000	50,297	63,234	180	0	In compliance
Grade 8	63,234	58,898	54,000	50,297	63,234	180	0	In compliance

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Educational Code Section 46201.

⁽¹⁾Commencing in the 2009-10 school year and continuing through the 2012-13 school year, a school district, county office of education or charter school may reduce the equivalent of up to 7 days of instruction or the equivalent number of instructional minutes without incurring penalties set forth in Sections 41420, 46200, 46200.5, 46201, 46202, and 47612.5. A school district, county office of education, or charter school shall receive revenue limit funding based on the adjustments prescribed pursuant to Section 42238.146 whether or not it reduces the number of school days or instructional minutes.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	(Budget ¹)			
	2013	2012	2011	2010
<u>General Fund</u>				
Revenues and other financial sources	\$ 19,324,659	\$ 19,436,614	\$ 18,302,777	\$ 17,668,380
Expenditures	18,328,623	18,304,328	16,240,378	16,090,543
Other uses and transfers (out)	589,000	716,200	486,674	448,000
Total outgo	18,917,623	19,020,528	16,727,052	16,538,543
Change in fund balance	407,036	416,086	1,575,725	1,129,837
Beginning fund balance restatement: Special Reserve Fund for Other Than Capital Outlay per GASB 54	-	-	3,035,970	-
Ending fund balance	\$ 9,713,030	\$ 9,305,994	\$ 8,889,908	\$ 4,278,213
Available reserves ^{(2) (3)}	\$ 3,789,642	\$ 4,669,109	\$ 7,791,311	\$ 3,536,519
Reserve for economic uncertainties	\$ -	\$ -	\$ 3,467,277	\$ 643,277
Unassigned fund balance	\$ 3,789,642	\$ 4,669,109	\$ 4,324,034	\$ 2,893,242
Available reserves as a percentage of total outgo	20.03%	24.55%	46.58%	21.38%
Total long-term debt	\$ 16,770,205	\$ 18,355,205	\$ 19,441,010	\$ 20,284,936
Average daily attendance (ADA) at P-2	1,272	1,233	1,206	1,117

Average daily attendance has increased by 116 over the past three years. The District anticipates a 39 increase in ADA during fiscal year 2012-2013.

The general fund balance has increased by \$5,027,781 over the past three years. For a district this size, the state recommends available reserves of at least 4% of total general fund expenditure, transfer out, and other uses (total outgo). The fiscal year 2012-13 budget projects a \$407,036 increase in fund balance.

The District operated at a surplus in each of the past three years. In fiscal year 2011-2012, total long-term debt has decreased by \$1,929,731 over the past three years.

¹ Budget numbers are based on the first adopted budget of the fiscal year 2012/13.

² Available reserves consist of all unassigned fund balances in the general fund, which includes the reserve for economic uncertainties.

³ 2010 available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty within the general fund and special reserve fund for other than capital outlay projects.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Program Name	Federal Catalog Number	Pass Through Number	Program Expenditure
U. S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education			
<i>Special Education Cluster</i>			
IDEA Basic Local Assistance	84.027	13379	\$ 220,545
IDEA Preschool Local Entitlement	84.027	13682	17,409
IDEA Preschool	84.173	13430	9,343
IDEA Preschool Staff Development	84.173	13431	45
<i>Total Special Education Cluster</i>			<u>247,342</u>
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	17,927
Title II, Part A, Improving Teacher Quality	84.367	14341	34,926
ARRA Education Jobs Fund	84.410	25152	<u>15,665</u>
TOTAL FEDERAL PROGRAMS			<u><u>\$ 315,860</u></u>

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
TO THE AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Governmental Funds
June 30, 2012 Annual Financial and Budget Report Fund Balances	\$ 5,174,172	\$ -	\$ 2,215,017	\$ 5,587,751
Adjustments and Reclassifications:				
Special Res Fund for Other Than Cap Outlay:				
Cash and investments	3,727,768	-	-	(3,727,768)
Accounts receivable	7,054	-	-	(7,054)
Due from other funds	397,000	-	-	(397,000)
June 30, 2012 Audited Financial Statements Fund Balances	<u>\$ 9,305,994</u>	<u>\$ -</u>	<u>\$ 2,215,017</u>	<u>\$ 1,455,929</u>

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO STATE AND FEDERAL AWARD COMPLIANCE SECTIONS
FOR THE YEAR ENDED JUNE 30, 2012**

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 apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

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 requirements.

E. Reconciliation of Annual Financial and Budget Report WITH Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported in the annual financial and budget report to the audited financial statements.

F. Schedule of Excess Sick Leave

This schedule provides information on whether the District grants excess sick leave, as that term is defined in subdivision (c) of Education Code Section 22170.5, to employees who are members of the California State Teachers Retirement System.

2. RESULTS OF RECONCILIATIONS OF EXPENDITURES PER SCHEDULE OF GRANT ACTIVITY WITH THE DISTRICT'S ACCOUNTING SYSTEMS

There were no material unreconciled differences between the District's records and the schedule of federal grant activity as shown on the Schedule of Expenditures of Federal Awards.

3. BASIS OF PRESENTATION – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Las Lomas Elementary School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

4. EARLY RETIREMENT INCENTIVE PROGRAM

This schedule provides information on whether the District grants excess sick leave, as that term is defined in subdivision (c) of Education Code Section 22170.5, to employees who are members of the California State Teachers Retirement System.

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OTHER INDEPENDENT
AUDITOR'S REPORTS

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

Board of Education
Las Lomas Elementary School District

We have audited the basic financial statements of Las Lomas Elementary School District as of and for the year ended June 30, 2012, and have issued our report thereon dated November 2, 2012. We conducted our audit in accordance with generally accepted auditing standards 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 Las Lomas Elementary School 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 Las Lomas Elementary School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Las Lomas Elementary School 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 a 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 above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Las Lomas Elementary School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those



Chavan & Associates, LLP
Certified Public Accountants

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 for the information of the Board, management, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these

C & A LLP

November 2, 2012
San Jose, California



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE DIRECT AND MATERIAL EFFECT ON STATE PROGRAMS**

Board of Trustees
Las Lomas Elementary School District
Menlo Park, California

We have audited Las Lomas Elementary School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2011-12*, published by the Education Audit Appeals Panel that could have a direct and material effect on each of Las Lomas Elementary School District's State programs for the year ended June 30, 2012. Compliance with the applicable requirements is the responsibility of Las Lomas Elementary School District's management. Our responsibility is to express an opinion on the District's compliance with the applicable requirements based on our compliance audit.

We conducted our compliance audit in accordance with auditing standards generally accepted in the United States of America; the standards for financial and compliance 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 Education Agencies 2011-12*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the compliance 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 State program occurred. The compliance audit includes examining, on a test basis, evidence about Las Lomas Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our compliance audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Las Lomas Elementary School District's compliance with those requirements.

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

<u>Description</u>	<u>Procedures in the Audit Guide</u>	<u>Procedures Performed</u>
Attendance Reporting	6	6
Teacher Certification and Missassignments	3	3
Kindergarten Continuance	3	3
Independent Study	23	None
Continuation Education	10	Not applicable
Instructional Time:		
School Districts	6	6
County Offices of Education	3	Not applicable
Instructional Materials - General Requirements	8	8
Ratios of Administrative Employees to Teachers	1	1
Classroom Teacher Salaries	1	1



<u>Description</u>	<u>Procedures in the Audit Guide</u>	<u>Procedures Performed</u>
Early Retirement Incentive	4	Not applicable
Gann Limit Calculation	1	1
School Accountability Report Card	3	3
Public Hearing Requirements - Receipt of Funds	1	1
Juvenile Courts	8	Not applicable
Exclusion of Pupils - Pertussis Immunization	2	2
Class Size Reduction:		
General Requirements	7	7
Option One	3	3
Option Two	4	Not applicable
Districts or Charter Schools with Only One School Serving K-3	4	Not applicable
After School Education and Safety Program:		
General Requirements	4	Not applicable
After School	5	Not applicable
Before School	6	Not applicable
Charter Schools:		
Contemporaneous Records of Attendance	3	Not applicable
Mode of Instruction	1	Not applicable
Nonclassroom-Based Instruction/Independent Study	15	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	3	Not applicable
Annual Instructional Minutes - Classroom Based	4	Not applicable

We did not perform the audit procedures for Full-time Independent Study programs because the ADA was under the level that requires testing.

In our opinion, Las Lomitas Elementary School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on State Programs for the fiscal year ended June 30, 2012.

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

C & A LLP

November 2, 2012
San Jose, California

FINDINGS AND RECOMMENDATIONS

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses?	___ Yes <u>x</u> No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes <u>x</u> No
Non-compliance material to financial statements noted?	___ Yes <u>x</u> No

Federal Awards

The District's expenditures of federal awards did not equal or exceed \$500,000.

State Awards

Internal control over state programs:	
Material weaknesses?	___ Yes <u>x</u> No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes <u>x</u> No
Type of auditor's report issued on compliance over state programs:	<u>Unqualified</u>

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Section II - Financial Statement Findings

No findings noted.

Section III - Federal Award Findings and Questioned Costs

No findings noted.

Section IV - State Award Findings and Questioned Costs

No findings noted.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2012**

Section II - Financial Statement Findings

No findings noted.

Section III - Federal Award Findings and Questioned Costs

No findings noted.

Section IV - State Award Findings and Questioned Costs

No findings noted.