

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

AUDIT REPORT

JUNE 30, 2014



CHAVAN & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS
1475 SARATOGA AVE., SUITE 180
SAN JOSE, CA 95129

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
SAN MATEO COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
FINANCIAL SECTION:	
Independent Auditor's Report.....	1 - 3
Management's Discussion and Analysis.....	4 - 12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	17
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
Statement of Fiduciary Net Position - Fiduciary Funds.....	19
Notes to the Basic Financial Statements.....	20 - 36
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (GAAP) General Fund	37
SUPPLEMENTARY INFORMATION:	
Combining Statements – Nonmajor Funds:	
Combining Balance Sheet – Nonmajor Funds	38
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Funds.....	39
Compliance Section:	
Organization	40
Excess Sick Leave	41
Schedule of Average Daily Attendance	42
Schedule of Instructional Time Offered	43
Schedule of Financial Trends and Analysis.....	44
Reconciliation of the Annual Financial and Budget Report to the Audited Financial Statements	45
Notes to Compliance Section.....	46

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
SAN MATEO COUNTY**

TABLE OF CONTENTS

OTHER INDEPENDENT AUDITOR’S REPORTS:

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	47 - 48
Independent Auditor’s Report on Compliance with Requirements that Could Have a Direct and Material Effect on State Programs	49 - 50

FINDINGS AND RECOMMENDATIONS:

Schedule of Findings and Questioned Costs.....	51 - 52
Status of Prior Year Findings and Recommendations	53

FINANCIAL
SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Education
Las Lomitas Elementary School District
Menlo Park, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Las Lomitas Elementary School District (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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*, prescribed in the California Code of Regulations, Title 5, Section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 12 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 obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and the other information 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.

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



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

C & A LLP

October 30, 2014
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, 2014**

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, 2014. 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 2013-2014 are as follows:

- Total net position from governmental activities was \$23,718,602 of June 30, 2014.
- General revenue accounted for \$23,678,047 of the District's \$24,498,340 in total revenue.
- The District had \$26,590,632 in expenditures for all governmental funds.
- Among major funds, the General Fund had \$21,582,420 in revenues and \$23,637,370 in expenditures. The fund balance in the General Fund decreased by \$2,054,950 from June 30, 2013 to June 30, 2014.

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 Position and Statement of Activities comprise the District-wide financial statements and provide information about the activities of the District as a whole, 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, 2014**

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 Position 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 2013 - 2014?" The Statement of Net Position 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 position and change in net position. The change in net position 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 Position 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, 2014**

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 15. 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 Position 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, 2014**

The District as a Whole

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

Table 1 provides a summary of the District's net position as of June 30, 2014.

Table 1 - Summary of Net Position				
	2014	2013	Dollar Change	Percent Change
Assets				
Current and Other Assets	\$ 12,995,086	\$ 14,510,734	\$ (1,515,648)	-10%
Capital Assets	28,021,502	24,807,870	3,213,632	13%
Total Assets	\$ 41,016,588	\$ 39,318,604	\$ 1,697,984	4%
Deferred Outflows of Resources	\$ 613,855	\$ 708,294	\$ (94,439)	-13%
Liabilities				
Other Liabilities	\$ 2,859,887	\$ 2,105,136	\$ 754,751	36%
Long-term Liabilities	15,051,954	16,296,382	(1,244,428)	-8%
Total Liabilities	\$ 17,911,841	\$ 18,401,518	\$ (489,677)	-3%
Net Positions				
Invested in Capital Assets, Net of Debt	\$ 13,732,405	\$ 9,908,973	\$ 3,823,432	39%
Restricted	3,650,499	3,053,646	596,853	20%
Unrestricted	6,335,698	8,662,761	(2,327,063)	-27%
Total Net Position	\$ 23,718,602	\$ 21,625,380	\$ 2,093,222	10%

The District's net position was \$23,718,602. Of this amount \$13,732,405 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, 2014**

Table 2 shows the change in net position for fiscal year 2013-2014.

Table 2 - Change in Net Position				
	2014	2013	Increase (Decrease)	Percent
Revenues				
Program Revenues:				
Operating Grants and Contributions	\$ 820,293	\$ 508,611	\$ 311,682	61.3%
General Revenues:				
Taxes and Subventions	17,349,421	16,337,143	1,012,278	6.2%
Grants and Entitlements - Unrestricted	1,039,354	1,244,670	(205,316)	-16.5%
Other	5,289,272	4,753,666	535,606	11.3%
Total Revenues	24,498,340	22,844,090	1,654,250	7.2%
Program Expenses				
Instruction	13,797,243	13,013,527	783,716	6.0%
Instruction-Related Services	2,030,021	1,894,319	135,702	7.2%
Pupil Services	1,185,086	1,104,017	81,069	7.3%
General Administration	1,715,001	2,287,284	(572,283)	-25.0%
Plant Services	1,713,047	1,757,446	(44,399)	-2.5%
Other Outgo	233,065	168,245	64,820	38.5%
Interest and Fiscal Charges	1,731,655	982,940	748,715	76.2%
Total Expenses	22,405,118	21,207,778	1,197,340	5.6%
Change in Net Position	\$ 2,093,222	\$ 1,636,312	\$ 456,910	27.9%

The District's total revenues increased by 7.2% from 2012-13 to 2013-14. Local property taxes in 2013-14 increased by 6.2% over the prior year and the county SELPA funded \$108,162 from their High Cost Pool as reimbursement for Special Education expenditures. The combination of these two sources represents the increase to Property Taxes. Grants and Entitlements decreased by \$205,316 due to the deferral of revenue in site donation accounts at year end.

Instruction, Instruction-Related Services, and Pupil Services increases were due to the hiring of additional staff to accommodate growing student enrollment and program needs. Decreases to General Administration were largely due to the reduction of outside consultant services that were unique to the prior year and a large general fund transfer to fund the Other Post Employment Benefits (OPEB) irrevocable trust with CalPERS in 2012-13. Interest expenses on the general obligation bond increased in 2013-14.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Governmental Activities

Direct Instruction Costs comprise 61 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	2014	2013	Increase (Decrease)	Percent	
Instruction	\$ 13,264,605	\$ 12,600,114	\$ 664,491	5.27%	
Instruction-Related Services	1,911,708	1,872,923	38,785	2.07%	
Pupil Services	1,173,142	1,082,005	91,137	8.42%	
General Administration	1,715,001	2,287,284	(572,283)	-25.02%	
Plant Services	1,611,819	1,757,446	(145,627)	-8.29%	
Other outgo	176,895	116,455	60,440	51.90%	
Interest and Fiscal Charges	1,731,655	982,940	748,715	76.17%	
Total Net Cost of Services	\$ 21,584,825	\$ 20,699,167	\$ 885,658	4.28%	

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, 2014**

The District's Funds

The District's governmental funds report a combined fund balance of \$10,912,183, which is an increase from last year's total of \$13,004,475. 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	2014	2013	Increase (Decrease)
General Fund ⁽¹⁾	\$ 6,989,173	\$ 9,044,123	\$ (2,054,950)
Deferred Maintenance Fund	808,811	660,472	148,339
Building Fund	-	2,322	(2,322)
Capital Facilities Fund	357,937	307,056	50,881
Special Reserve Fund for Capital Projects	113,424	605,406	(491,982)
Bond Interest & Redemption Fund	2,642,838	2,385,096	257,742
Total Governmental Fund Balances	\$ 10,912,183	\$ 13,004,475	\$ (2,092,292)

(1) The General Fund balance includes the fund balance from the Special Reserve Fund for Other Than Capital Outlay Projects per the provisions of GASB 54.

The decrease in the General Fund balance (combination of ending fund balances from Fund 1 and Fund 17) was due to the site acquisition of property bordering the Las Lomitas Elementary School. This property purchase was a rare opportunity for the District to obtain an additional acre of land, and thus add valuable space to the existing school site that is currently serving a growing student body. At the time of purchase, the District did not have a bond fund and this expenditure was made from the transfer of funds from Fund 17 into Fund 1.

Changes in the Deferred Maintenance Fund were the result of an increase in the Fund 1 transfer for Deferred Maintenance needs. Revenue from Developer Fees exceeded expenditures in Fund 25 leaving the ending fund balance higher than the prior year. Fund 21 (Building Fund) had a small ending fund balance which was expended in fiscal year 2014.

The District purchased three new school busses in 2014 using funds from Fund 40, Special Reserve for Capital Projects. Two of the busses were purchased through a grant program with the Bay Area Air Quality Management to replace older busses with cleaner, more efficient busses. Reimbursement for two of the busses will be made in fiscal year 2015. The Bond Interest and Redemption Fund for the general obligation bond debt service is maintained by the County.

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 2013-14 fiscal year, the District revised its General Fund budget several times which resulted in a decrease in revenues by \$212,670 and a decrease in expenses of \$652,728. The overall decrease in revenues was largely due 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 (California Clean Energy Prop. 39, Common

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Core State Standards Implementation, Lottery, and site "restricted" accounts) and other contracted services to outside vendors being 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 2013-14, the District had \$45,938,968 invested in land, buildings, furniture and equipment.

Table 5 shows the June 30, 2014 balances.

Table 5 - Summary of Capital Assets Net of Depreciation					
Capital Asset	2014			2013	Percentage Change
	Cost	Accumulated Depreciation	Net Capital Asset	Net Capital Asset	
Land	\$ 3,502,038	\$ -	\$ 3,502,038	\$ 497,287	604.2%
Site Improvements	5,405,423	3,695,773	1,709,650	1,843,617	-7.3%
Buildings and Improvements	34,774,586	13,210,380	21,564,206	21,961,070	-1.8%
Property and Equipment	2,256,921	1,011,313	1,245,608	505,896	146.2%
Totals	\$ 45,938,968	\$ 17,917,466	\$ 28,021,502	\$ 24,807,870	13.0%

Long Term Liabilities

Table 6 - Summary of Long-term Liabilities				
Type of Liability	2014	2013	Percentage Change	
General obligation bonds	\$ 13,824,346	\$ 14,539,944	-4.92%	
Unamortized bond premiums - net	1,078,606	1,244,546	-13.33%	
Net OPEB obligation	-	391,387	-100.00%	
Compensated absences	149,002	120,505	23.65%	
Total Long-term Liabilities	\$ 15,051,954	\$ 16,296,382	-7.64%	

The District continues to pay down its debt, retiring \$715,598 in 2013-14.

In November of 2013, the voters of the District approved a new bond measure for the District to repair and improve aging schools by issuing \$60,000,000 in bonds at legal rates, with citizens' oversight, and no money for administrators. The District will build classrooms for increased student enrollment, update or replace aging classrooms to meet current health and safety codes, renovate heating and electrical systems to save on energy costs, support 21st century instructional technology, and acquire, repair, or construct sites, facilities and equipment.

Factors Bearing on the District's Future

The District's 2013-14 budget and multi-year projections include projected movement on the salary schedules for units earned and years of service. Negotiated salary increases for employees are added to the budget at the

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

time of the specific employee group's settlement. Certificated staffing was added to the multi-year projections as a result of attrition, to maintain instructional program needs, and as a result of growing student enrollment. Classified staffing increased by the addition of Special Education paraeducators as required by student IEPs and custodial hours were increased to accommodate the expansion in the number of portable classrooms.

Enrollment growth had been approximately 5% per year. This growth has slowed and enrollment for the last two years has been flat. The District has been studying this pattern and is budgeting for continued enrollment growth and additional facilities at a more modest rate. Costs for Special Education services continue to increase and the District is constantly differentiating programs to better serve its students within the District.

As the state moves towards full implementation of the Local Control Funding Formula, Las Lomas Elementary School District will remain a Basic Aid funded district. This means that the District will continue to rely on local property taxes as the largest single source of revenue. Increases to revenue will primarily be determined by taxes assessed on local property valuations and the stability of this revenue will vary with the local economy. The District's property tax income for 2014-15 is projected to be 7.0% more than in 2013-14. In subsequent years property tax revenues are projected to increase by 6%.

Sources of State Revenue are limited to Lottery funding and the Mandated Cost Block Grant. Flat funding for state revenue is budgeted in the multi-year projections. 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

LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
Assets	
Current assets:	
Cash and investments	\$ 12,212,555
Accounts receivable	710,484
Total current assets	<u>12,923,039</u>
Noncurrent assets:	
OPEB Asset	72,047
Capital assets:	
Land - nondepreciable	3,502,038
Site improvements	5,405,423
Building and improvements	34,774,586
Furniture and equipment	2,256,921
Less accumulated depreciation	<u>(17,917,466)</u>
Capital assets - net	<u>28,021,502</u>
Total noncurrent assets	<u>28,093,549</u>
Total Assets	<u><u>\$ 41,016,588</u></u>
 Deferred Outflows of Resources	
Deferred loss on early retirement of long-term debt	\$ 613,855
Total Deferred Outflows of Resources	<u><u>\$ 613,855</u></u>
 Liabilities	
Current liabilities:	
Accounts payable	\$ 1,635,024
Unearned revenue	375,832
Accrued interest	849,031
Total current liabilities	<u>2,859,887</u>
Long-term liabilities:	
Due within one year:	
General obligation bonds payable	674,888
Due after one year:	
General obligation bonds payable	13,149,458
Unamortized bond premium	1,078,606
Compensated absences payable	149,002
Total due after one year	<u>14,377,066</u>
Total long-term liabilities	<u>15,051,954</u>
Total Liabilities	<u><u>\$ 17,911,841</u></u>
 Net Position	
Net investment in capital assets	\$ 13,732,405
Restricted for:	
Debt service	2,642,838
Educational programs	1,007,661
Total restricted net position	<u>3,650,499</u>
Unrestricted	6,335,698
Total Net Position	<u><u>\$ 23,718,602</u></u>

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

**LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental activities				
Instruction	\$ 13,797,243	\$ 33,754	\$ 498,884	\$ (13,264,605)
Instruction-related services:				
Supervision of instruction	653,814	3,439	114,862	(535,513)
Instruction library, media and technology	306,703	-	-	(306,703)
School site administration	1,069,504	12	-	(1,069,492)
Pupil services:				
Home-to-school transportation	445,652	-	-	(445,652)
Food services	29,729	-	-	(29,729)
All other pupil services	709,705	6,156	5,788	(697,761)
General administration:				
Data processing	324,963	-	-	(324,963)
All other general administration	1,390,038	-	-	(1,390,038)
Plant services	1,713,047	-	101,228	(1,611,819)
Other outgo	233,065	3,583	52,587	(176,895)
Interest on long-term debt	1,731,655	-	-	(1,731,655)
Total governmental activities	<u>\$ 22,405,118</u>	<u>\$ 46,944</u>	<u>\$ 773,349</u>	<u>(21,584,825)</u>
General revenues:				
Taxes and subventions:				
Taxes levied for general purposes				13,639,990
Taxes levied for debt service				2,512,634
Taxes levied for other specific purposes				1,196,797
Federal and state aid not restricted to specific purposes				1,039,354
Interest and investment earnings				174,072
Rental income				1,941,964
Miscellaneous				3,173,236
Total general revenues				<u>23,678,047</u>
Change in net position				2,093,222
Net position beginning				<u>21,625,380</u>
Net position ending				<u>\$ 23,718,602</u>

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

**LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 8,249,107	\$ 32,781	\$ 2,639,387	\$ 1,291,280	\$ 12,212,555
Accounts receivable	697,341	-	3,451	9,692	710,484
Due from other funds	5	271,362	-	-	271,367
Total Assets	<u>\$ 8,946,453</u>	<u>\$ 304,143</u>	<u>\$ 2,642,838</u>	<u>\$ 1,300,972</u>	<u>\$ 13,194,406</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,310,086	\$ 304,138	\$ -	\$ 20,800	\$ 1,635,024
Due to other funds	271,362	5	-	-	271,367
Unearned revenue	375,832	-	-	-	375,832
Total Liabilities	<u>1,957,280</u>	<u>304,143</u>	<u>-</u>	<u>20,800</u>	<u>2,282,223</u>
Fund balances:					
Nonspendable:					
Revolving fund	1,000	-	-	-	1,000
Restricted for:					
Educational programs	1,007,661	-	-	-	1,007,661
Debt service	-	-	2,642,838	-	2,642,838
Committed for:					
Repairs and maintenance	-	-	-	808,811	808,811
Assigned for:					
Capital projects	1,595,041	-	-	113,424	1,708,465
Educational programs	604,535	-	-	-	604,535
Site repairs	800,850	-	-	357,937	1,158,787
Unassigned:					
Economic uncertainties	788,800	-	-	-	788,800
Unappropriated	2,191,286	-	-	-	2,191,286
Total Fund Balances	<u>6,989,173</u>	<u>-</u>	<u>2,642,838</u>	<u>1,280,172</u>	<u>10,912,183</u>
Total Liabilities and Fund Balances	<u>\$ 8,946,453</u>	<u>\$ 304,143</u>	<u>\$ 2,642,838</u>	<u>\$ 1,300,972</u>	<u>\$ 13,194,406</u>

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

**LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Total fund balances - governmental funds		\$	10,912,183
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 \$45,938,968 and the accumulated depreciation is \$17,917,466.			28,021,502
To recognize accrued interest at year end.			(849,031)
Net OPEB assets are not available to pay for current period expenditures and, therefore, are not recognized in the governmental funds statements.			72,047
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	\$	13,824,346	
Unamortized bond premium		1,078,606	
Deferred loss on early retirement of long-term debt		(613,855)	
Compensated absences (vacation)		149,002	
			<u>(14,438,099)</u>
Total net position - governmental activities		\$	<u>23,718,602</u>

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

LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
LCFF sources	\$ 14,292,756	\$ -	\$ -	\$ 158,000	\$ 14,450,756
Federal	272,283	-	-	-	272,283
Other state	675,876	-	7,391	-	683,267
Other local	6,341,505	12,785	2,518,951	218,793	9,092,034
Total revenues	21,582,420	12,785	2,526,342	376,793	24,498,340
Expenditures:					
Instruction	13,634,108	-	-	-	13,634,108
Instruction-related services:					
Supervision of instruction	649,375	-	-	-	649,375
Instruction library, media and technology	257,131	-	-	-	257,131
School site administration	1,068,548	-	-	-	1,068,548
Pupil services:					
Home-to-school transportation	424,650	-	-	-	424,650
Food services	30,414	-	-	-	30,414
All other pupil services	717,918	-	-	-	717,918
General administration:					
Data processing	332,528	-	-	-	332,528
All other general administration	1,408,250	-	-	-	1,408,250
Plant services	1,416,370	18,000	-	163,443	1,597,813
Facility acquisition and construction	3,013,651	448,469	-	506,112	3,968,232
Other outgo	233,065	-	-	-	233,065
Debt service:					
Principal	-	-	715,598	-	715,598
Interest and fees	-	-	1,553,002	-	1,553,002
Total expenditures	23,186,008	466,469	2,268,600	669,555	26,590,632
Excess (deficiency) of revenues over (under) expenditures	(1,603,588)	(453,684)	257,742	(292,762)	(2,092,292)
Other financing sources (uses):					
Operating transfers in	5,327,323	451,362	-	-	5,778,685
Operating transfers out	(5,778,685)	-	-	-	(5,778,685)
Total other financing sources (uses)	(451,362)	451,362	-	-	-
Net change in fund balances	(2,054,950)	(2,322)	257,742	(292,762)	(2,092,292)
Fund balances beginning	9,044,123	2,322	2,385,096	1,572,934	13,004,475
Fund balances ending	\$ 6,989,173	\$ -	\$ 2,642,838	\$ 1,280,172	\$ 10,912,183

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

**LOS 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, 2014**

Total net change in fund balances - governmental funds		\$ (2,092,292)
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 \$4,200,416 is greater than the depreciation expense of \$986,784.		3,213,632
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		715,598
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:		
Amortization of bond premium	165,940	
Amortization of discounts	<u>(177,299)</u>	(11,359)
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 greater than the amount used by \$28,497		(28,497)
In the statement of activities, the net postemployment benefit asset is the amount by which the contributions toward the OPEB plan were more than the annual required contribution as actuarially determined. The net postemployment benefit is not recorded in the governmental fund statements. The change in the net OPEB was recorded in the statement of activities in the amount of		463,434
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.		<u>(72,855)</u>
Changes in net position of governmental activities		<u>\$ 2,093,222</u>

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

LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Student Body Agency Fund
Assets	
Cash on hand and in banks	<u>\$ 13,639</u>
Total Assets	<u><u>\$ 13,639</u></u>
Liabilities	
Due to student group	<u>\$ 13,639</u>
Total Liabilities	<u><u>\$ 13,639</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, 2014**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Principles

The Las Lomitas 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, 2014, 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 Position and the statement of Activities) report information on all of the non-fiduciary activities of the District. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

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 the 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 that are specifically associated with a service, program, or department and are therefore clearly identifiable

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, deferred outflows of resources, current liabilities and deferred inflows of resources 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.

Deferred Outflows/Deferred Inflows:

Deferred outflows of resources are consumptions of net assets by the government that are applicable to a future reporting period. For example, prepaid items and deferred charges.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Deferred inflows of resources are acquisitions of net assets by the government that are applicable to a future reporting period. For example, unearned revenue and advance collections.

Unearned Revenue:

Unearned 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 inflows of resources from unearned revenue. In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows of resources from unearned 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 and includes transactions accounted for in the Special Reserve Fund for Other Than Capital Outlay and Special Reserve Fund for Postemployment Benefits.

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

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.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

- 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. The amounts reported for student body funds represent the combined totals of all schools within the District.

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.

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, 2014**

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. 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's central warehouse inventory is valued at a moving average cost and consists of expendable supplies held for consumption. The District has the option of reporting expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period.

3. Capital Assets

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

Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

<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

4. Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred and timing requirements have been met. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures. Unearned revenue in the funds is recorded for grant and

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

entitlement receivables that are not available within ninety 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. Security deposits for leased facilities are recorded as unearned in the government-wide statements and deferred in the fund statements.

5. 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.

6. 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 Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. Issuance costs are expensed in the period incurred.

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.

7. Fund Balance Classifications

The District maintains a minimum unassigned fund balance of not less than 3 percent of budgeted general fund expenditures and other financing uses as a reserve for economic uncertainties. The District believes a reserve of this level is prudent to maintain a high bond rating and to protect the District from the effects of fluctuations in property tax revenues to which basic aide districts are vulnerable. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints on their use, the reserve for economic uncertainties consists of balances that are otherwise unassigned.

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* fund balance includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- *Restricted* fund balance includes 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* fund balances includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. Committed fund balances are imposed by the District's board of education.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

- *Assigned* fund balance includes 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 Assistant Superintendent of Business Services.
- *Unassigned* fund balance includes positive amounts 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.

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) with the General Fund because those funds do not meet the definition of a special revenue fund as defined by GASB 54.

8. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position. Net position is reported as restricted when there are limitations imposed on its 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 position is 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.

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

Unrestricted net position reflects amounts 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. A deficit unrestricted net position may result when significant cash balances restricted for capital projects exist. Once the projects are completed, the restriction on these assets are released and converted to capital assets.

9. Local Control Funding Formula and Property Taxes

The Local Control Funding Formula (LCFF) creates base, supplemental, and concentration grants in place of most previously existing K–12 funding streams, including revenue limits and most state categorical programs. The revenue limit was a combination of local property taxes, state apportionments, and other local sources.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The 2013–14 Budget Act provides \$2.1 billion for school districts and charter schools and \$32 million for COEs to support the first-year implementation of the LCFF. Until full implementation, however, local educational agencies (LEAs) will receive roughly the same amount of funding they received in 2012–13 plus an additional amount each year to bridge the gap between current funding levels and the new LCFF target levels. The budget projects the time frame for full implementation of the LCFF to be eight years.

The LCFF includes the following components for school districts and charter schools:

- Provides a base grant for each LEA equivalent to \$7,643 per average daily attendance (ADA). The actual base grants would vary based on grade span.
- Provides an adjustment of 10.4 percent on the base grant amount for kindergarten through grade three (K–3). As a condition of receiving these funds, the LEA shall progress toward an average class enrollment of no more than 24 pupils in kindergarten through grade three, unless the LEA has collectively bargained an annual alternative average class enrollment in those grades for each school site.
- Provides an adjustment of 2.6 percent on the base grant amount for grades nine through twelve.
- Provides a supplemental grant equal to 20 percent of the adjusted base grant for targeted disadvantaged students. Targeted students are those classified as English learners (EL), eligible to receive a free or reduced-price meal (FRPM), foster youth, or any combination of these factors (unduplicated count).
- Provides a concentration grant equal to 50 percent of the adjusted base grant for targeted students exceeding 55 percent of an LEA’s enrollment.
- Provides for additional funding based on an “economic recovery target” to ensure that virtually all districts are at least restored to their 2007–08 state funding levels (adjusted for inflation) and also guarantees a minimum amount of state aid to LEAs.

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

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

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

10. 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’

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.

11. 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.

12. 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.

13. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure other than the issuance of general obligation bonds. In November of 2013, the voters of the District approved a measure to issue \$60,000,000 in general obligation bonds at legal rates. The bonds are a general obligation of the District, and are payable from the proceeds of Ad Valorem property taxes. As of the date of the audit, no new bonds have been issued.

I. Upcoming New Accounting Pronouncements

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 Entity'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, 2014**

NOTE 2 - CASH AND INVESTMENTS

A summary of cash and investments as of June 30, 2014 is as follows:

Deposit or Investment	Carrying Amount	Fair Value	Investment Rating
<i>Government-Wide Statements:</i>			
Cash in county treasury investment pool	\$ 12,210,313	\$ 12,209,702	AA
Cash with fiscal agent	1,242	1,242	n/a
Cash in revolving fund	1,000	1,000	n/a
Total Government-Wide Cash and Investments	12,212,555	12,211,944	
<i>Fiduciary Funds:</i>			
Cash in banks	13,639	13,639	n/a
Total Cash and Investments	\$ 12,226,194	\$ 12,225,583	

Cash in banks and revolving funds

Cash balances in banks and revolving funds are insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"). These accounts are held within various financial institutions. As of June 30, 2014, the bank balance of the District's accounts with banks was \$13,716, which was fully insured by FDIC.

Cash in County Treasury

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

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.

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

1. 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

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

fair value to the changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains cash with the County of San Mateo Investment Pool. The pool has a fair value of approximately \$981 million and an amortized book value of \$981 million.

2. 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.

3. 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.

4. 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.

NOTE 3 - ACCOUNTS AND NOTES RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2014:

Receivables	General Fund	Bond Interest Redemption Fund	Nonmajor Funds	Total
Federal Government:				
Special Education	\$ 48,578	\$ -	\$ -	\$ 48,578
Other Federal	3,690	-	-	3,690
State Government:				
LCFF Apportionment	289,968	-	-	289,968
Lottery	23,319	-	-	23,319
Special Education	128,298	-	-	128,298
Other Resources	203,487	3,451	9,693	216,631
Accounts Receivable	\$ 697,340	\$ 3,451	\$ 9,693	\$ 710,484

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 - INTERFUND TRANSACTIONS

Interfund transactions are reported as 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 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 \$271,362 receivable in the General Fund from the Building Fund for the purpose of funding issuance costs for upcoming bond sales.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenues to funds through which the resources are to be expended. As of June 30, 2014, interfund transfers consisted of the following:

Fund Receiving Transfers	Fund Making Transfers	Amount
General Fund	Special Reserve Fund for Other Than Capital Outlay ⁽¹⁾	\$ 3,000,000 1
Special Reserve Fund for Other Than Capital Outlay ⁽¹⁾	General Fund	2,327,323 2
Building Fund	General Fund	451,362 3
		<u>\$ 5,778,685</u>

1	To fund site acquisition expenses
2	To contribute to reserves for Phillips Brooks School amortization, Phillips Brooks School maintenance, and to create a District Reserve for Uncertainty
3	To cover reimburseable bond expenditures prior to initial bond issuance

⁽¹⁾ The Special Reserve Fund for Other Than Capital Outlay Projects has been combined with the General Fund for reporting purposes as required by GASB 54.

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital assets consisted of the following as of June 30, 2014:

Capital Assets	Balance July 01, 2013	Adjustments & Additions	Deletions	Balance June 30, 2014
Land - not depreciable	\$ 497,287	\$ 3,004,751	\$ -	\$ 3,502,038
Site improvements	5,405,423	-	-	5,405,423
Buildings and improvements	34,475,893	298,693	-	34,774,586
Furniture and equipment	1,359,949	896,972	-	2,256,921
Total capital assets	41,738,552	4,200,416	-	45,938,968
Less accumulated depreciation for:				
Site improvements	3,561,806	133,967	-	3,695,773
Buildings and improvements	12,514,823	695,557	-	13,210,380
Furniture and equipment	854,053	157,260	-	1,011,313
Total accumulated depreciation	16,930,682	986,784	-	17,917,466
Total capital assets - net depreciation	\$ 24,807,870	\$ 3,213,632	\$ -	\$ 28,021,502

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Depreciation expense was charged to governmental activities as follows:

Depreciation expense was charged to governmental activities as follows:		
Instruction	\$	680,335
Supervision of instruction		19,289
Instruction library, media and technology		56,563
School site administration		25,270
Home-to-school transportation		31,082
All other pupil services		7,969
All other general administration		12,305
Plant services		153,971
Total depreciation expense	\$	986,784

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.

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, 2014:

Bond	Year Issued	Interest Rate	Year of Maturity	Original Issue	Outstanding July 01, 2013	Issued	Redeemed	Outstanding June 30, 2014
2005 GOB	2005	3.9-5.0%	2020	\$ 22,129,944	\$ 14,539,944	\$ -	\$ 715,598	\$ 13,824,346

The annual debt service requirements of the General Obligation Bonds consisted of the following as of June 30, 2014:

Year Ending June 30	Principal	Interest	Total
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	2,280,000	379,150	2,659,150
2019	2,495,000	283,650	2,778,650
2020-2021	5,660,000	241,825	5,901,825
Total Debt Service	\$ 13,824,346	\$ 4,317,476	\$ 18,141,822

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014:

	Balance			Balance	Due Within
Long-term Debt	July 01, 2013	Additions	Deletions	June 30, 2014	One Year
General obligation bonds	\$ 14,539,944	\$ -	\$ 715,598	\$ 13,824,346	\$ 674,888
Unamortized bond premium	1,244,546	-	165,940	1,078,606	-
Compensated absences	120,505	28,497	-	149,002	-
Total Long-term Debt	\$ 15,904,995	\$ 28,497	\$ 881,538	\$ 15,051,954	\$ 674,888

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 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, 2014
Total Assets	\$ 17,343,941
Total Liabilities	8,411,639
Total Equity	8,932,302
Total Revenues	35,889,261
Total Expenditures	35,880,935

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

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

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.

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 2013-2014 was 11.442%. 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, 2014, 2013 and 2012, were \$339,767, \$307,210, and \$278,101, respectively, and equals 100% of the required contributions for each year.

State Teachers' Retirement System

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.

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 2013-2014 was 8.25% 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, 2014, 2013, and 2012, were \$870,206, \$813,320, and \$760,891, 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

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014, the District contributed \$722,520 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.

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	\$ 259,086
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	259,086
Contributions made	(722,520)
Decrease in net OPEB obligation	(463,434)
Net OPEB obligation (asset) - beginning of year	391,387
Net OPEB obligation (asset) - end of year	\$ (72,047)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2012	\$ 617,319	33.63%	\$ 1,500,678
6/30/2013	617,319	279.69%	391,387
6/30/2014	259,086	278.87%	(72,047)

Funded Status and Funding Progress

The most recent actuarial valuation date was June 30, 2013. The following summarizes the funded status of the plan as of June 30, 2014:

Actuarial accrued liability (AAL)	\$ 3,637,440
Value of plan assets	2,340,134
Unfunded actuarial accrued liability (UAAL)	\$ 1,297,306
Funded ratio (actuarial value of plan assets/AAL)	64%
Projected covered payroll (active Plan members)	\$ 13,327,012
UAAL as a percentage of covered payroll	9.73%

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014, was twenty-six years.

The actuarial assumptions included a discount rate of 7.25% per year, an annual healthcare cost trend rate of 4%, and payroll increases of 2.75% per year. 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 Accrued 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%
6/30/2013	1,567,575	3,637,440	2,069,865	43.10%	13,327,012	15.53%

REQUIRED
SUPPLEMENTARY
INFORMATION

**LOS 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, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
	Original	Final		
Revenues:				
LCFF sources	\$ 13,568,550	\$ 14,327,690	\$ 14,292,756	\$ (34,934)
Federal	294,927	277,663	272,283	(5,380)
Other state	491,152	682,201	675,876	(6,325)
Other local	5,373,058	6,507,536	6,341,505	(166,031)
Total revenues	19,727,687	21,795,090	21,582,420	(212,670)
Expenditures:				
Certificated salaries	9,904,813	10,381,470	10,354,056	27,414
Classified salaries	2,805,489	2,928,957	2,916,331	12,626
Employee benefits	3,492,872	3,628,655	3,623,267	5,388
Books and supplies	567,848	1,459,147	1,077,962	381,185
Services and other operating expenses	2,201,004	2,171,113	1,955,391	215,722
Capital outlay	125,000	3,025,936	3,025,936	-
Other outgo	185,000	243,458	233,065	10,393
Total expenditures	19,282,026	23,838,736	23,186,008	652,728
Excess (deficiency) of revenues over (under) expenditures	445,661	(2,043,646)	(1,603,588)	440,058
Other financing sources (uses):				
Operating transfers in	348,400	5,327,323	5,327,323	-
Operating transfers out	(437,400)	(5,545,323)	(5,778,685)	(233,362)
Total other financing sources (uses)	(89,000)	(218,000)	(451,362)	(233,362)
Change in fund balance	\$ 356,661	\$ (2,261,646)	(2,054,950)	\$ 206,696
Fund balance beginning			9,044,123	
Fund balance ending			\$ 6,989,173	

SUPPLEMENTARY
INFORMATION

LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR FUNDS
JUNE 30, 2014

	Special Revenue Funds	Capital Projects Funds		
	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Totals
Assets				
Cash and investments	\$ 828,578	\$ 349,528	\$ 113,174	\$ 1,291,280
Accounts receivable	1,033	8,409	250	9,692
Total Assets	<u>\$ 829,611</u>	<u>\$ 357,937</u>	<u>\$ 113,424</u>	<u>\$ 1,300,972</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 20,800	\$ -	\$ -	\$ 20,800
Total Liabilities	<u>20,800</u>	<u>-</u>	<u>-</u>	<u>20,800</u>
Fund balances:				
Committed for repairs and maintenance	808,811	-	-	808,811
Assigned for capital projects	-	-	113,424	113,424
Assigned for site repairs	-	357,937	-	357,937
Total Fund Balances	<u>808,811</u>	<u>357,937</u>	<u>113,424</u>	<u>1,280,172</u>
Total Liabilities and Fund Balances	<u>\$ 829,611</u>	<u>\$ 357,937</u>	<u>\$ 113,424</u>	<u>\$ 1,300,972</u>

**LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds	Capital Projects Funds		
	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Totals
Revenues:				
LCFF sources	\$ 158,000	\$ -	\$ -	\$ 158,000
Other local	11,139	193,524	14,130	218,793
Total revenues	169,139	193,524	14,130	376,793
Expenditures:				
Plant services	20,800	142,643	-	163,443
Facility acquisition and construction	-	-	506,112	506,112
Total expenditures	20,800	142,643	506,112	669,555
Excess (deficiency) of revenues over (under) expenditures	148,339	50,881	(491,982)	(292,762)
Fund balances beginning	660,472	307,056	605,406	1,572,934
Fund balances ending	\$ 808,811	\$ 357,937	\$ 113,424	\$ 1,280,172

COMPLIANCE SECTION

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
ORGANIZATION
FOR THE YEAR ENDED JUNE 30, 2014**

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
Jay Siegel	President	2014
William Steinmetz	Clerk	2016
Richard Ginn	Member	2014
Christine Marie Heaton	Member	2016
Diane Honda	Member	2016

Administration

Lisa Cesario
Superintendent

Carolyn Chow
Chief Business Officer

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
EXCESS SICK LEAVE
FOR THE YEAR ENDED JUNE 30, 2014**

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.

**LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Second Period Report	Annual Report
Elementary:		
Grades TK/K through three	571	573
Grades four through six	428	429
Grades seven and eight	258	259
Special education	2	2
ADA Totals	<u>1,259</u>	<u>1,263</u>

**LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME OFFERED
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Grade Level	1982-83 Actual Minutes ⁽¹⁾	Reduced 1982-83 Actual Minutes ⁽¹⁾	1986-87 Minutes Requirements ⁽¹⁾	Reduced 1986-87 Minutes Requirements ⁽¹⁾	2013-14 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	31,680	30,775	36,000	35,000	35,829	180	0	In compliance
Grade 1	52,800	51,291	50,400	49,000	53,561	180	0	In compliance
Grade 2	52,800	51,291	50,400	49,000	53,561	180	0	In compliance
Grade 3	52,800	51,291	50,400	49,000	53,561	180	0	In compliance
Grade 4	56,862	55,237	54,000	52,500	58,568	180	0	In compliance
Grade 5	56,862	55,237	54,000	52,500	58,568	180	0	In compliance
Grade 6	63,234	61,427	54,000	52,500	63,098	180	0	In compliance
Grade 7	63,234	61,427	54,000	52,500	63,098	180	0	In compliance
Grade 8	63,234	61,427	54,000	52,500	63,098	180	0	In compliance

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 46208. School districts that have met their LCFF targets or have not met their LCFF targets, but received longer day and year incentive funding, can not provide less than the 1986-87 minutes requirements; reduced by 5 days for fiscal years 2013-14 and 2014-15. There is no longer a requirement to offer minutes offered in 1982-83 for districts that exceeded the minutes listed in the statute and met their LCFF target, or districts that received incentive funding for longer instructional day and year, or for a district that did not meet its LCFF target and participated in the longer day incentive but not the longer year incentive.

⁽¹⁾ The District met its LCFF target and has received incentive funding for increasing instructional time as provided by the incentives for longer instructional day and year. Therefore, the District was required to meet the 1986-87 minutes requirements reduced by 5 days for the 2013-14 fiscal year.

**LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	(Budget ⁽¹⁾)			
	2015	2014	2013	2012
<u>General Fund</u>				
Revenues and other financial sources	\$ 22,254,918	\$ 26,909,743	\$ 21,678,351	\$ 19,436,614
Expenditures	20,595,177	23,186,008	20,545,722	18,304,328
Other uses and transfers out	978,850	5,778,685	1,394,500	716,200
Total outgo	21,574,027	28,964,693	21,940,222	19,020,528
Change in fund balance	\$ 680,891	\$ (2,054,950)	\$ (261,871)	\$ 416,086
Ending fund balance	\$ 7,670,064	\$ 6,989,173	\$ 9,044,123	\$ 9,305,994
Available reserves ⁽²⁾	\$ 2,601,635	\$ 2,980,086	\$ 4,647,124	\$ 4,669,109
Reserve for economic uncertainties	\$ 647,221	\$ 788,800	\$ 757,147	\$ -
Unassigned fund balance	\$ 1,954,414	\$ 2,191,286	\$ 3,889,977	\$ 4,669,109
Available reserves as a percentage of total outgo	12.06%	10.29%	21.18%	24.55%
Total long-term liabilities	\$ 14,377,066	\$ 15,051,954	\$ 16,296,382	\$ 18,355,205
Average daily attendance (ADA) at P-2	1,260	1,259	1,271	1,233

Average daily attendance has increased by 26 since 2012. The District anticipates an increase of 1 ADA during fiscal year 2014-15.

The general fund balance has decreased by \$2,316,821 over the past three years. For a district this size, the state recommends available reserves of at least 4% of total general fund expenditures, transfers out, and other uses (total outgo). The fiscal year 2014-15 budget projects a \$680,891 increase in fund balance.

The District operated at a deficit in two of the past three years. Total long-term liabilities have decreased by \$3,303,251 since 2012.

¹ Budget numbers are based on the first adopted budget of the fiscal year 2014/15.

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

**LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
TO THE AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	General Fund	Bond Interest and Redemption Fund	Other Governmental Funds
June 30, 2014 Annual Financial and Budget Report Fund Balances	\$ 3,804,482	\$ 2,642,838	\$ 4,464,863
Adjustments and Reclassifications:			
Special Res Fund for Other Than Cap Outlay:			
Cash and investments	3,182,948	-	(3,182,948)
Accounts receivable	1,743	-	(1,743)
June 30, 2014 Audited Financial Statements Fund Balances	<u>\$ 6,989,173</u>	<u>\$ 2,642,838</u>	<u>\$ 1,280,172</u>

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO COMPLIANCE SECTION
FOR THE YEAR ENDED JUNE 30, 2014**

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 not 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. Reconciliation of Annual Financial and Budget Report to the 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.

E. 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. EARLY RETIREMENT INCENTIVE PROGRAM

The District has not adopted an early retirement incentive program, pursuant to Education Code Sections 22714 and 44929, whereby the service credit to eligible employees is increased to two years.

OTHER INDEPENDENT
AUDITOR'S REPORTS



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

Board of Education
Las Lomas Elementary School District
Menlo Park, CA

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Los Lomas Elementary School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Los Lomas Elementary School District's basic financial statements, and have issued our report thereon dated October 30, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Los Lomas Elementary School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Los Lomas Elementary School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Los Lomas Elementary School District's internal control.

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

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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



providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

C & A LLP

October 30, 2014
San Jose, California



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

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

Compliance

We have audited the Los Lomas Elementary School District's (the District) compliance with the types of State compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*, published by the Education Audit Appeals Panel, for the year ended June 30, 2014. The applicable State compliance requirements are identified in the table below.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the District's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with the State laws and regulations based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*, published by the Education Audit Appeals Panel. Those standards and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on compliance with the state laws and regulations described in the schedule below occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In 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 Misassignments	3	3
Kindergarten Continuance	3	3
Independent Study	23	None
Continuation Education	10	Not applicable
Instructional Time for School Districts	10	10



<u>Description</u>	<u>Procedures in the Audit Guide</u>	<u>Procedures Performed</u>
Instructional Materials - General Requirements	8	8
Ratios of Administrative Employees to Teachers	1	1
Classroom Teacher Salaries	1	1
Early Retirement Incentive	4	Not applicable
Gann Limit Calculation	1	1
School Accountability Report Card	3	3
Juvenile Courts	8	Not applicable
Local Control Funding Formula Certification	1	1
California Clean Energy Job Acts	3	3
After School Education and Safety Program:		
General Requirements	4	Not applicable
After School	5	Not applicable
Before School	6	Not applicable
Education Protection Account Funds	1	1
Common Core Implementation Funds	3	3
Unduplicated Local Control Funding Formula Pupil Counts	3	3
Charter Schools:		
Contemporaneous Records of Attendance	8	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
Charter School Facility Grant Program	1	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.

Opinion

In our opinion, Los 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, 2014.

Purpose of This Report

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

C & A LLP

October 30, 2014
San Jose, California

FINDINGS AND RECOMMENDATIONS

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	<u>Unmodified</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 did not spend or incur expenditures of \$500,000 or more in federal awards.

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>Unmodified</u>

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

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, 2014**

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.