


LOWELL JOINT SCHOOL DISTRICT



ANNUAL FINANCIAL REPORT June 30, 2016

Performed by:
QUEZADA, WONG & ASSOCIATES, INC.
Certified Public Accountants

Annual Financial Audit Report for the 2015/16 Fiscal Year



**Presented to the Board of Trustees
January 10, 2016**

Why Is An Audit Important?



- ❖ Required by Education Code 41020
- ❖ “Independent” review of financial records
- ❖ Informs the Board if the financial statements are reliable
- ❖ Alerts Administration to possible internal control weaknesses

Phase I Field Testing (Spring 2016)



- ❖ Jordan Elementary School
- ❖ Meadow Green Elementary School
- ❖ Rancho-Starbuck Intermediate School
 - Attendance accounting and procedures
 - ASB accounting and procedures
(Rancho-Starbuck only)

Phase II Final Testing (Fall/Winter 2016)



❖ District Office

- Internal controls
- Compliance with State and Federal laws, regulations, and guidelines

Auditor's Report on Federal and State Compliance

- ❖ Type of auditor's report issued
 - ✓ Complied
- ❖ Type of auditor's report issued on compliance for major Federal programs
 - ✓ Complied
- ❖ Type of auditor's report issued on compliance for major State programs
 - ✓ Complied

“In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information...”

Schedule of Findings and Questioned Costs



- ❖ There are no findings or questioned costs
- ❖ There are no audit adjustments to the Financial Statements

Governmental Accounting Standards Board (GASB) Pronouncement 45

GASB 45 implemented effective June 30, 2008

- Requires recognition of the unfunded liability related to future retiree health benefits
- Lowell Joint's unfunded liability as of June 30, 2016 is \$3,974,246

Governmental Accounting Standards Board (GASB) Pronouncement 68

GASB 68 implemented June 30, 2015

- Requires recognition of pro-rata share of unfunded liability related to state pension systems
- Lowell Joint's share of both systems is \$21,031,928

Governmental Accounting Standards Board (GASB) 45 and 68 Balance Sheet Impact

- Fund balance before these two liabilities are added is \$15,671,165
- Fund balance with these two additional liabilities is **\$9,334,583 (negative)**
- Increased STRS and PERS employer contributions reduced pension liability slightly
- Retiree health benefits liability increases annually
- Retiree health benefits liability will not decrease without contributions to an irrevocable trust account (all other factors being equal)

Governmental Accounting Standards Board (GASB) 45 and 68 Balance Sheet Impact

- When districts modernize their facilities or build new schools, they positively impact their fund balance due to the increased asset value as a result of these facility improvements
- The Olita Major Maintenance/Growth Project will increase our fund balance by approximately 3.0 million dollars when complete
- If we are able to someday modernize our facilities, we will greatly improve our overall fund balance

Current Year Findings and Recommendations

There are no findings for the 2015/16 year.

Kudos to the fiscal staff!



Prior Year Audit Findings – Status



There are no prior year findings to report

2016/17 Audit Report



- State law requires a school district to switch audit partners/firms at least every five years
- Beginning with 2016/17, the independent audit report will be completed by the accountancy firm of Nigro and Nigro
- Nigro and Nigro has audited school districts since 1999 and has over 50 governmental agency clients – including 9 Los Angeles county school districts

2015/16 Audit Report



Questions?